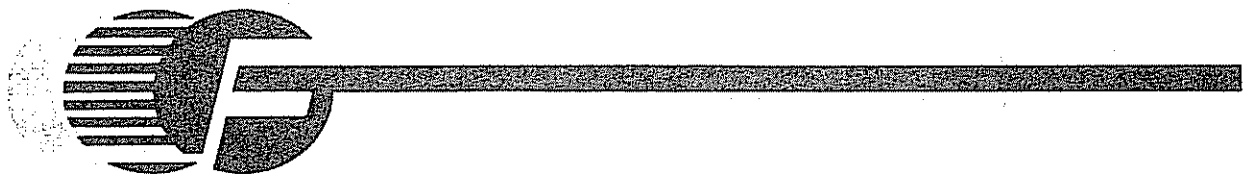


Comprehensive Annual Financial Report

City of Franklin, Wisconsin
For the Year Ended December 31, 2004



Franklin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FRANKLIN

FOR THE YEAR ENDED DECEMBER 31, 2004

**PREPARED BY THE
FINANCE DEPARTMENT AND
OFFICE OF THE DIRECTOR OF ADMINISTRATION**

DIRECTOR OF FINANCE & TREASURER

CALVIN A. PATTERSON

DIRECTOR OF ADMINISTRATION

GARY R. PETRE

CITY OF FRANKLIN

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INTRODUCTORY SECTION

March 15, 2005

**Honorable Mayor, Common Council members
and Citizens of Franklin:**

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2004, is hereby submitted. State law requires that all general purpose local governments with a population over 25,000 publish within six months of the end of the fiscal year a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Franklin (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Virchow, Krause & Company, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City Profile

The City, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 31,804. It is a residential community with a growing commercial and industrial base. It is generally considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police and fire protection; emergency medical/paramedic, health and sanitary services; building inspection and zoning control; and street, sanitary and storm sewer, and water construction and maintenance. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a city attorney. The City's mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by thirteen officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments.

The City provides a full range of services, including police and fire protection; street construction, maintenance of highways, streets and other infrastructure; recreational and cultural activities and sanitation services. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. These two areas therefore have been included as an integral part of the City's financial statements. The City also is financially accountable for a legally separate Community Development Authority (Authority). The Authority was established to finance and construct a City Business Park located within the City of Franklin Tax Incremental Financing District No. II. The Authority is reported separately within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

The budgetary process serves as the foundation of the City's financial planning and control system. The preparation of a forecast for the existing program for the following year is prepared by the end of May. Departmental requests for personnel changes and new capital outlay expenditures are made by the end of June. The Mayor then prepares his forecast including recommended personnel and capital outlay expenditures by mid July. The departments take this information and submit their requested budgets by mid August. The budgets are reviewed and the Mayor submits his requested budget by mid September. The Council through its Finance Committee reviews the requested budgets and submits its proposed budget to the Council by mid October. The Council is required to hold a public hearing on the proposed budget, usually at the beginning of November, and then adopts a final budget in early November. The adopted budget is prepared by fund, function (e.g. Public Safety), and department (e.g. Police). Transfers of appropriations require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each fund with an adopted budget. The General Fund comparison is presented in Exhibit

F as part of the basic financial statements for the government funds and in Schedules 3 & 4 of the supplementary information. For governmental funds, other than the General Fund, with adopted budgets this comparison is presented in the supplementary information section of this report.

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment within that the City operates.

Economic Condition and Outlook

The pace of growth in Franklin in 2004 was excellent. The major factor was the reemergence of the residential sector after trailing the non residential construction for the past two years. The 505 units of new residential construction was the largest in the last ten years. Residential, commercial and industrial development continued to be active with future prospects remaining bright.

Assessed property values have grown at an average annual rate of 9.6% since 1994 that has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth. The City also benefits from the economy in the Milwaukee metropolitan area.

Difficulty in budgeting at the State level resulted in cutbacks to local and schools budgets. The City was able to adjust its budget to compensate and was able to limit the tax rate increase to 1.89%. Overall tax rates ranged from -0.5% to 3.9% depending upon the school or sewer district of a property.

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 8.9%. In 2004 permits for 503 new equivalent residential units were issued. This was an increase of 44.1% from the prior year with the value of the related residential construction increasing by 54.5%. Increased growth from new construction is expected to continue as new subdivisions open. Overall, the City remains attractive to builders and potential residents.

Commercial and Industrial Growth

Over the past ten years, commercial and industrial valuation has grown at an average annual rate of 12.6%. In 2004, 55 building permits were issued for commercial and industrial projects. The value of those projects decreased by 29.9% from the 2003 activity due a large commercial project in 2003.

The City's Business Park sold one parcel of land in 2003 bringing the total acres sold to 83.5% of available land. The total incremental value of the Business Park, which comprises the City's TIF District No. 2, exceeded \$115 million equalized value at January 1, 2004. This value and the projected increases should generate sufficient tax increment to repay the existing TIF District debt two years prior to the last scheduled principal repayment in 2013. Based on preliminary projections, when the TIF District No. 2 is closed out (currently expected to be in 2011), over \$150 million of additional value is expected to be added to the general tax rolls.

Anticipated residential growth will continue to place demands on the commercial sector for goods and services that, in turn, is expected to continue the trend of commercial growth. Expansion of the commercial and industrial tax base is a goal of the City with respect to the

overall tax rate, as 77% of the City's property value is currently residential. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

The year 2004 was a year of planning for the City. Planning the development of the 27th Street corridor was the major effort. The extension of sewer to the Briarwood subdivision was the major project completed for 2004.

The challenge for the operating departments in 2004 was to maintain the service levels at a time of reduced revenues to the City. Limited tax growth and losses in 2004 shared revenue did not provide resources to expand services. However no employment cutbacks were necessary.

2004 was not a City-wide property re-assessment year. The last re-assessment was done in 2003. Performing revaluations on a regular basis is in line with the Common Council's past policy decision to increase the frequency of assessment re-determinations in order to keep property values more in line with current market values. The State determined that the local assessments were 94.5% of fair value.

With the growth of the community, planning and zoning issues receive much attention. To be sure that new development pays its fair share of the infrastructure costs the impact fees are charged for new development. The expansion and development of parks also continue to receive attention. The Parks Commission is determining how to best implement the Comprehensive Outdoor Recreation Plan that has been developed. The Health Department increased its outreach to the local schools and continued offering immunizations at businesses in the Business and Industrial Parks, including Hepatitis B vaccines.

Grant Controls

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws and regulations applicable to those programs. This internal control structure is subject to periodic evaluation by management. The results of the City's audit for the fiscal year ended December 31, 2004 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations. If the level of grant expenditures exceeds an established level, currently \$500,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2004.

Budgeting Controls

The City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. Activities of the General Fund, Library Fund, Sanitary Sewer Fund, General Obligation Debt Service Fund, Capital Outlay Fund, Capital Improvement Fund, Equipment Replacement Fund and Street Improvement Fund are included in the annual appropriated budget. The legal level for budgetary control is at the function level (e.g. public safety) within individual funds. The legal level of control is defined as the level at which expenditures cannot legally exceed the appropriated amount without a resolution approved by Common Council. Any unencumbered appropriations lapse at year end.

Cash Management

Temporary idle cash is pooled and invested in demand deposits, savings deposits and the State of Wisconsin Local Government Investment Pool. Longer term cash reserves are invested by an investment manager in commercial paper, U.S. Treasury notes, Government Agency instruments, corporate notes and U.S. Treasury money market funds. Interest income from these programs are allocated to the various funds based on their respective balances of the pooled investments.

Risk Management

The City is exposed to a wide variety of risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care for its employees. Third-party insurance is maintained for workers' compensation, property, liability and all other potential losses. The City offers full time and some part time employees a group health and dental plan, which is self-insured by the City. The risk of this plan is reduced through the purchase of an excess loss health insurance policy with a 2004 deductible of \$50,000 per covered participant.

Pension and Other Post employment benefits

The City provides pension benefits to its employees. The public works, sewer and water and maintenance employees are covered by a single employer defined benefit pension plan. The Police and Fire employees are covered by the Wisconsin Retirement System pension program and the remainder of eligible employees are covered by a defined contribution pension plan. In addition to pensions the City also provides postretirement health and dental care benefits for certain retirees and their dependants. As of the end of the current fiscal year there were 19 retired employees receiving some type of postretirement benefits. The benefits are financed on a pay-as-you-go basis. GAAP does not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. In 2004, the Government Accounting Standards Board (GASB) adopted Statement No. 45, Accounting for post employment benefits. The effective date for the implementation of GASB No. 45 for the City is January 1, 2008.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City, Wisconsin for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the twelfth consecutive year that the City has received this award.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for a 2004 Certificate.

In addition to the GFOA award, the City also has received a 2003 Certificate of Commendation from the Governmental Reporting Awards Through Evaluation (GRATE) program for Wisconsin governments. Similar criteria to the GFOA program must be met in order to receive this award. The purpose of the GRATE program is to promote the highest level of financial reporting in local governments in Wisconsin. We believe that our current CAFR continues to meet the GRATE award requirements and will be submitting it for consideration. This was the eighth consecutive year that the City has received this award.

Acknowledgments

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance Committee for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

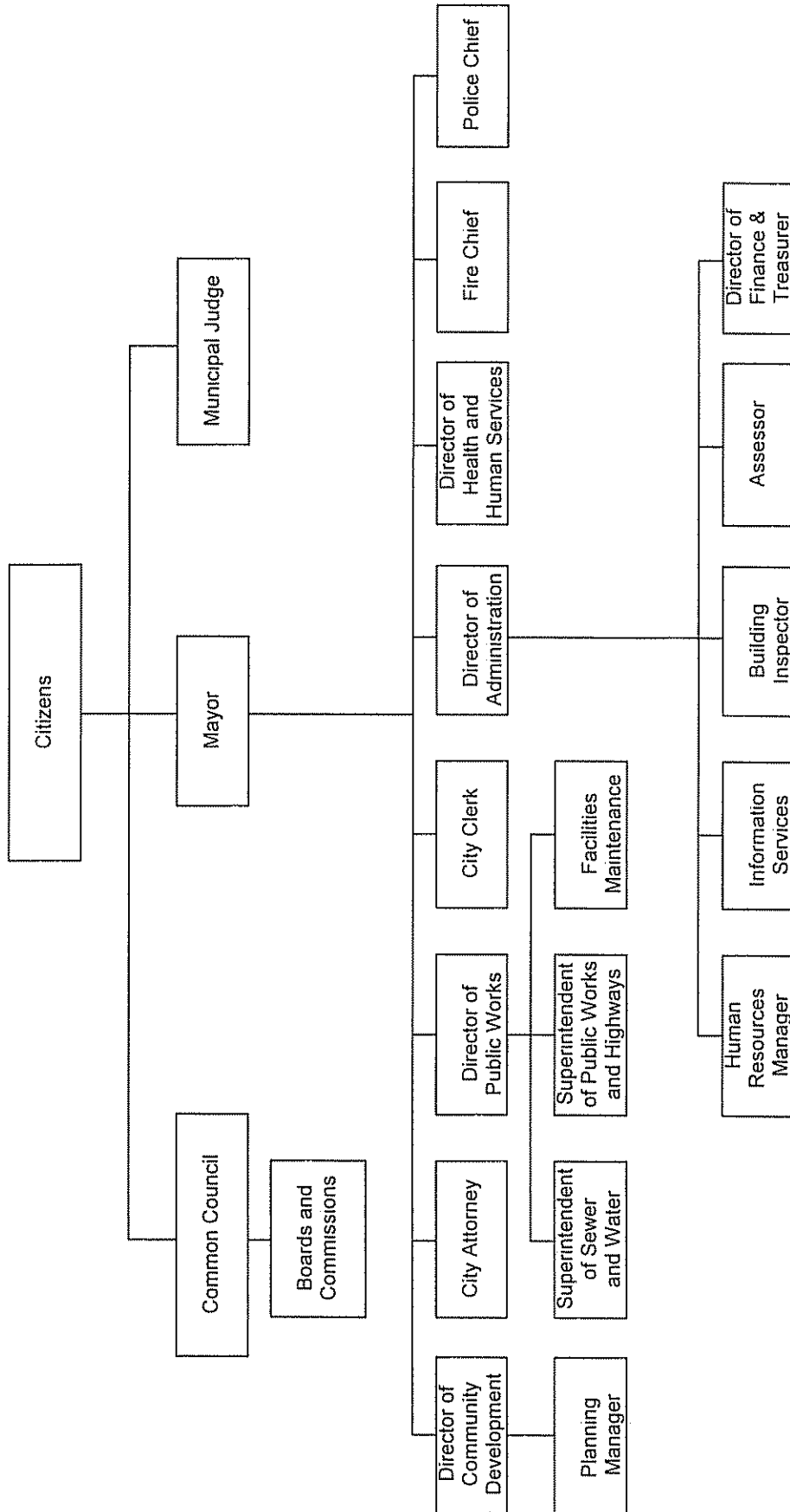


Calvin A. Patterson
Director of Finance & Treasurer



Gary R. Petre
Director of Administration

City of Franklin Organization Chart



**CITY OF FRANKLIN
LIST OF PRINCIPAL OFFICIALS**

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Fred Klimetz
Aldermen:	
District No. 1	Steve Olson
District No. 2	Tim Solomon
District No. 3	Mike Gardner
District No. 4	Pete Kosovich
District No. 5	Lyle Sohns
District No. 6	Jim Bergmann
Municipal Judge	Ron Wambach

Non-elected Officials

Assessor	Marty Kuehn
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	John Bennett
Community Development Director	Vacant
Director of Administration	Gary Petre
Director of Finance & Treasurer	Cal Patterson
Director of Health & Human Services	Bill Wucherer
Fire Chief	Jim Martins
Human Resources Manager	Laura Sutherland
Library Director	Barbara Roark
Planning Manager	Vacant
Police Chief	Gaylord Hahn

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin,
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting

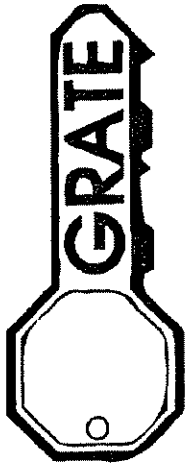


Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director



GOVERNMENTAL
REPORTING
AWARDS
THROUGH
EVALUATION

The Key to Better Local Government Financial Reporting

CERTIFICATE OF COMMENDATION

GRATE
hereby awards this
Certificate of Commendation to

City of Franklin

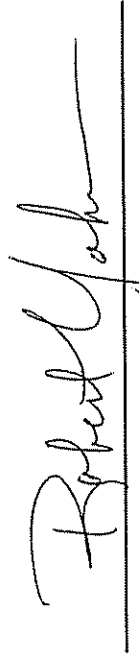
for achieving a high level of quality in its
annual financial statements through the utilization of
Generally Accepted Accounting Principles (GAAP),
and accepting its responsibility for
credibility in its financial statements.

For the year ended

December 31, 2003



President, GRATE Board of Directors



Marquette University
(Technical Services)

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Franklin
Franklin, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of and for the year ended December 31, 2004, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information for the enterprise funds has been derived from the City of Franklin's 2003 financial statements and, in our report dated March 18, 2004, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 13 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Mayor and Common Council
City of Franklin

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Franklin, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

Virtow, Krahn & Company, LLP

Milwaukee, Wisconsin
March 11, 2005

Management's Discussion and Analysis

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2004, by \$110,370,675 (**net assets**). Of this amount, \$10,974,543 (**unrestricted net assets**) may be used to meet the government's ongoing obligations to citizens and creditors. The total net assets include infrastructure of the governmental funds installed during 2003 and 2004. Prior year's governmental funds infrastructure has not yet been included in these statements.
- The City's total net assets increased by a net amount of \$24,312,777. Investment in capital assets, net of related debt accounted for a \$25,544,929 increase, operating activities accounted for a \$915,651 decrease with all other changes accounting for a \$316,501 decrease.
- The City's governmental funds reported, as of December 31, 2004, combined ending fund balances of \$14,154,460, a decrease of \$915,651 from the prior year. Approximately 71 percent of the total fund balance, or \$10,015,277, is available for spending at the government's discretion (**unreserved fund balance**).
- The unreserved fund balance as of December 31, 2004 for the general fund was \$6,150,910 or approximately 30 percent of total anticipated 2005 general fund expenditures.
- The City's total general obligation debt decreased by \$4,000,000 (13.9%) during 2004. In addition to normal repayments of \$2,250,000 the balance of 1996 General Obligation Bonds of the City (\$1,750,000) were retired.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities of the City include general government, public safety, public works, health & human services, culture & recreation and conservation & development. The business-type activities include the Franklin Water Utility and the City Sanitary Sewer fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate Community Development Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A & B of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General and Debt Service Funds, that are considered to be major funds. Data from the remaining eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The basic governmental fund financial statements can be found on Exhibits C, D, E & F of this report. These statements include a budgetary comparison statement of the General Fund.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Fund, Capital Outlay Fund, Equipment Revolving Fund, Street Improvement Fund, Capital Improvement Fund, Sanitary Service Fund and the Franklin Water Utility. A budgetary comparison statement has been provided for all governmental funds demonstrating compliance with their budgets.

Proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Franklin Water Utility, the Sanitary Sewer Fund and the Internal Service Fund.

The basic proprietary fund financial statements can be found on Exhibits G, H & I of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The fiduciary funds maintained by the City are the Property Tax Agency Fund, that records the tax roll and tax collections for the City and other taxing jurisdictions, and other agency funds to record their activity.

The basic fiduciary fund financial statements can be found on Exhibit J of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 - 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the notes to the financial statements. These schedules 1 to 11 can be found on pages 69 – 85 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$110,370,675 and \$86,057,898 at the end of 2004 and 2003 respectively.

CITY OF FRANKLIN NET ASSETS
December 31, 2004 and 2003

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 37,447,724	\$ 37,726,668	\$ 3,159,958	\$ 3,091,633	\$ 40,607,682	\$ 40,818,301
Capital assets	35,200,666	28,518,497	81,402,130	66,424,389	116,602,796	94,942,886
Total assets	<u>72,648,390</u>	<u>66,245,165</u>	<u>84,562,088</u>	<u>69,516,022</u>	<u>157,210,478</u>	<u>135,761,187</u>
Long-term liabilities	24,242,956	26,882,640	45,106	45,253	24,288,062	26,927,893
Current liabilities	21,589,722	22,101,223	962,019	674,173	22,551,741	22,775,396
Total liabilities	<u>45,832,678</u>	<u>48,983,863</u>	<u>1,007,125</u>	<u>719,426</u>	<u>46,839,803</u>	<u>49,703,289</u>
Net assets:						
Invested in capital assets, net of related debt	14,205,552	3,638,363	81,402,130	66,424,389	95,607,682	70,062,752
Restricted	3,656,415	3,777,630	132,035	118,986	3,788,450	3,896,616
Unrestricted	8,953,745	9,845,309	2,020,798	2,253,221	10,974,543	12,098,530
Total net assets	<u>\$ 26,815,712</u>	<u>\$ 17,261,302</u>	<u>\$ 83,554,963</u>	<u>\$ 68,796,596</u>	<u>\$ 110,370,675</u>	<u>\$ 86,057,898</u>

The largest portion of the City's net assets (approximately 87 and 81 percent, in 2004 and 2003 respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$95,607,682 and \$70,662,752 in 2004 and 2003 respectively of the year end net assets. The changes in capital assets were as follows:

	Capital Asset		Decrease in Capital	Net
	Additions	Depreciation	Related Debt	Increase
2004	\$ 24,264,433	\$ (2,604,524)	\$ 3,885,020	\$ 25,544,929
2003	9,100,712	(2,014,983)	3,334,225	10,419,954

The major City project contributing to this increase in 2004 was the Briarwood Sewer project and in 2003 was the Drexel Avenue sewer and water project. Infrastructure contributed by developers as part of developer's agreements contributed approximately \$6,210,000 in 2004 and \$2,263,000 in 2003 to the capitalized infrastructure through capital grants and contributions of governmental activities and \$7,352,000 in 2004 and \$3,250,000 in 2003 to capitalized infrastructure through capital grants and contributions for business-type activities.

In addition, during 2004 \$6,079,000 in capitalized infrastructure was acquired through capital grants and contributions for business-type activities by reacquiring water utility infrastructure at the expiration of a water service agreement with an adjoining community.

An additional portion of the City's net assets (approximately 3.4 percent and 4.5 percent, in 2004 and 2003 respectively) represent resources that are subject to external restrictions on how they may be used. There were \$3,788,450 and \$3,896,616, respectively in net assets that were restricted to specific purposes with the remaining balance of \$10,974,543 and \$12,098,530, in 2004 and 2003 respectively in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current and prior fiscal years the City was able to report positive balances in all three categories of net assets, as a government as a whole, as well as for its separate governmental and business-type activities.

There was a 2004 decrease of \$121,215 in restricted net assets reported in connection with the governmental activities. The decrease was primarily due to the use of debt service net assets to reduce outstanding debt (\$1,168,000), the use of utility improvement funds to pay for part of the Briarwood sewer improvement project (\$756,000) offset by the growth in available Development funds (\$1,766,000).

There was a 2003 decrease of \$1,137,243 in restricted net assets reported in connection with the governmental activities. The decrease was primarily due to the use of debt service net assets to reduce outstanding debt and the use of utility improvement funds to pay for part of the 31st and Drexel sewer improvement project.

There was a 2004 decrease of \$891,564 in unrestricted net assets reported in connection with the governmental activities. The major decrease was in the capital improvement fund (\$678,000) reflecting expenditures on projects that had received funding in prior years.

There was a 2003 increase of \$1,733,427 in unrestricted net assets reported in connection with the governmental activities. The major increase was due to growth in the general fund and the reimbursement from primarily utility improvement funds (restricted) for funds advanced on sewer and water improvement projects.

Governmental activities. Governmental activities in 2004 increased the City's net assets by \$9,554,410 accounting for 39 percent of the total growth in the net assets of the City. Elements of this increase follow:

- Increase due to the reduction in Long term Debt of \$4,000,307
- Increase in governmental activities capital assets net of depreciation of \$6,682,169
- Net decrease from general fund activities of \$915,651
- Net decrease from internal service activities of \$97,434
- Net decrease from special assessment activities of \$114,981

Governmental activities in 2003 increased the City's net assets by \$5,598,901 accounting for 53 percent of the total growth in the net assets of the City. Elements of this increase follow:

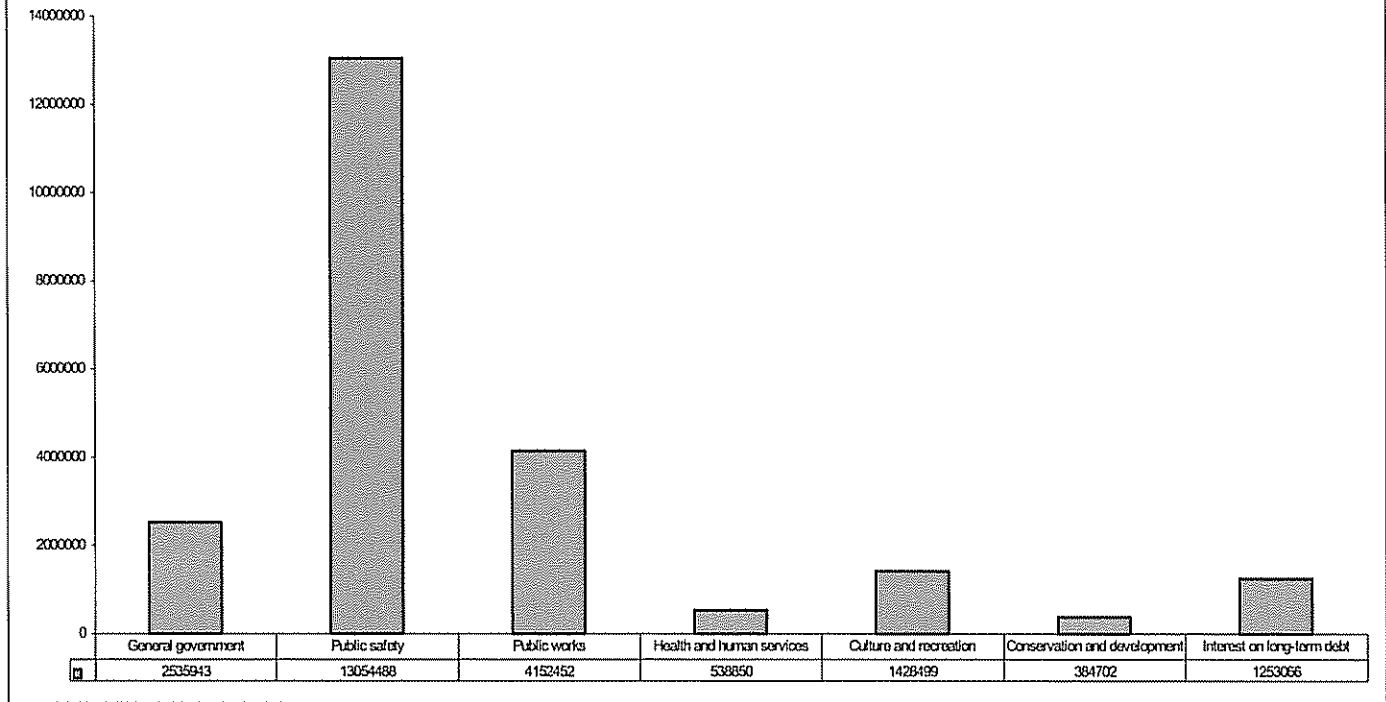
- Increase due to the reduction in Long term Debt of \$2,612,418
- Increase in governmental activities capital assets net of depreciation of \$2,583,418
- Net increase from general fund activities of \$949,063
- Net decrease from internal service activities of \$338,800
- Net decrease from special assessment activities of \$207,198

The details of governmental activities changes in net assets follow:

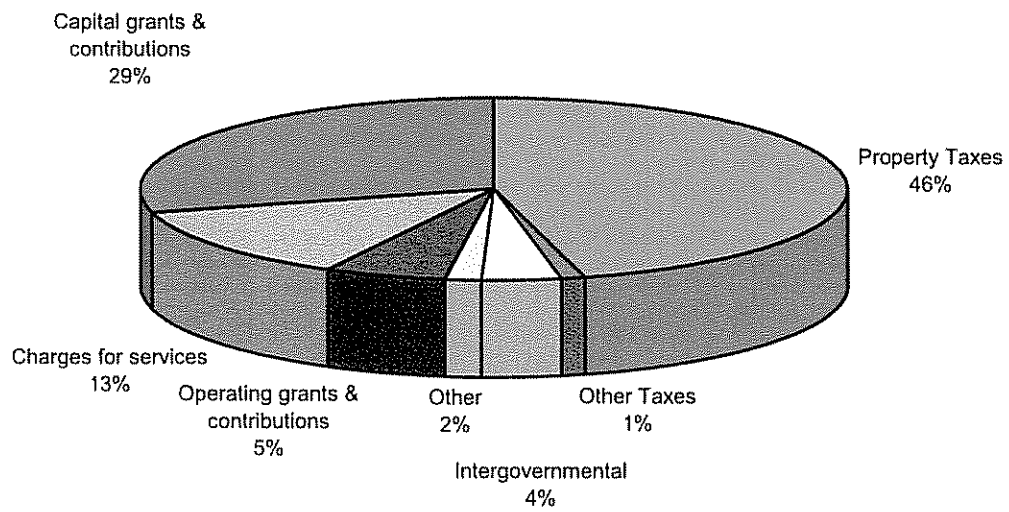
**City of Franklin Changes in Net Assets
For the Year Ending December 31, 2004 and 2003**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 4,525,973	\$ 4,172,471	\$ 4,325,814	\$ 4,607,111	\$ 8,851,787	\$ 8,779,582
Operating grants & contributions	1,886,800	1,623,847	-	-	1,886,800	1,623,847
Capital grants & contributions	10,048,400	5,465,904	13,431,131	3,292,803	23,479,531	8,758,707
General revenue:						
Property taxes	15,807,807	15,484,083	-	-	15,807,807	15,484,083
Other taxes	376,038	352,280	-	-	376,038	352,280
Intergovernmental	1,233,790	1,474,558	-	-	1,233,790	1,474,558
Other	657,246	794,764	84,013	72,173	741,259	866,937
Total revenue	<u>34,536,054</u>	<u>29,367,907</u>	<u>17,840,958</u>	<u>7,972,087</u>	<u>52,377,012</u>	<u>37,339,994</u>
Expenses:						
General government	2,535,943	2,560,386	-	-	2,535,943	2,560,386
Public safety	13,054,488	12,344,323	-	-	13,054,488	12,344,323
Public works	4,152,452	3,581,846	-	-	4,152,452	3,581,846
Health & Human services	538,850	574,163	-	-	538,850	574,163
Culture & Recreation	1,428,499	1,290,360	-	-	1,428,499	1,290,360
Conservation & development	384,702	445,732	-	-	384,702	445,732
Interest on long-term debt	1,253,065	1,388,325	-	-	1,253,065	1,388,325
Water	-	-	2,572,320	2,528,709	2,572,320	2,528,709
Sewer	-	-	2,143,916	2,032,336	2,143,916	2,032,336
Total expenses	<u>23,347,999</u>	<u>22,185,135</u>	<u>4,716,236</u>	<u>4,561,045</u>	<u>28,064,235</u>	<u>26,746,180</u>
Increase in net assets before transfers	11,188,055	7,182,772	13,124,722	3,411,042	24,312,777	10,593,814
Transfers	<u>(1,633,645)</u>	<u>(1,583,871)</u>	<u>1,633,645</u>	<u>1,583,871</u>	<u>-</u>	<u>-</u>
Increase in net assets	9,554,410	5,598,901	14,758,367	4,994,913	24,312,777	10,593,814
Net assets - beginning	<u>17,261,302</u>	<u>11,662,401</u>	<u>68,796,596</u>	<u>63,801,683</u>	<u>86,057,898</u>	<u>75,464,084</u>
Net assets - ending	<u>\$ 26,815,712</u>	<u>\$ 17,261,302</u>	<u>\$ 83,554,963</u>	<u>\$ 68,796,596</u>	<u>\$ 110,370,675</u>	<u>\$ 86,057,898</u>

Expenses by Function - Governmental Activities



Revenue by Source - Governmental Activities



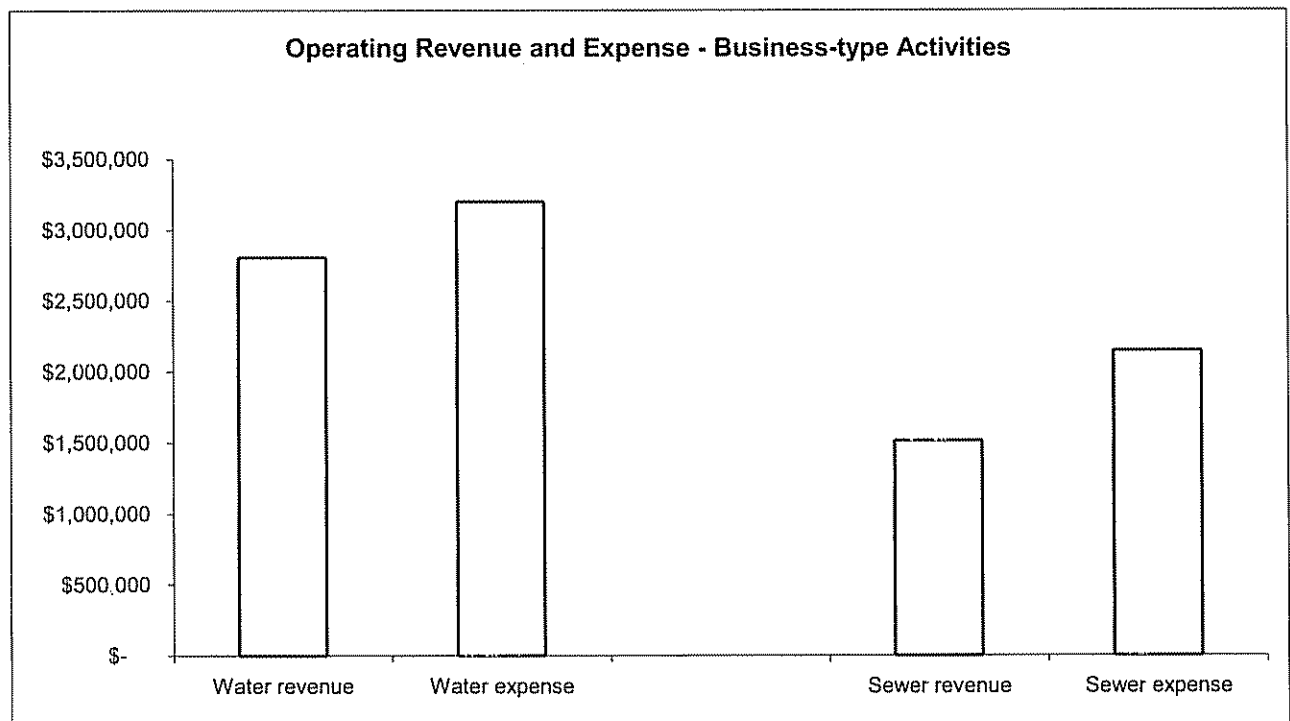
Business-type activities. In 2004, business-type activities increased the City's net assets by \$14,758,367 or 21.5 percent from the prior year. The key elements of this increase follow:

- The income (loss) from operations excluding capital contributions and its related depreciation expense - \$(126,885). The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users.
- Developer contributions of water infrastructure - \$3,567,696 consisting of ten projects
- Developer contributions of water infrastructure - \$6,078,824 from the water utility reacquiring infrastructure at the expiration of a water service agreement
- Developer contributions of sewer infrastructure - \$6,052,718 consisting of nine developer projects, one other government entity project and one City project
- Depreciation expense related to contributed assets - \$813,986

In 2003, business-type activities increased the City's net assets by \$4,994,913 or 7.8 percent from the prior year. The key elements of this increase follow:

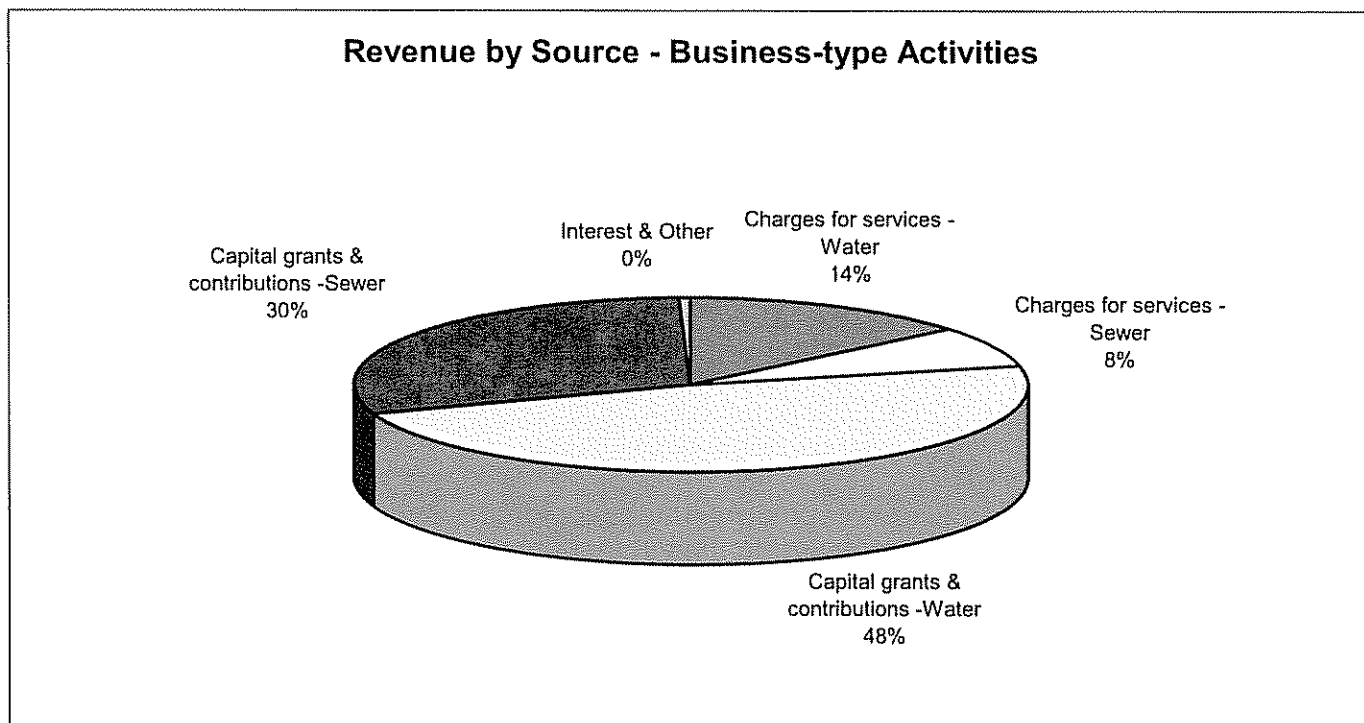
- Long term debt elimination - \$940,000
- A reduction in water rates by 17% at mid year reflecting that future capital needs would now be provided through impact fees and that water revenue would no longer be needed for debt service obligations
- Developer contributions of water infrastructure - \$2,742,062 consisting of thirteen developer projects and three City projects
- Developer contributions of sewer infrastructure - \$2,554,558 consisting of ten developer projects and one City project

The following graph compares the 2004 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses exceed revenue due to the current policy of only including depreciation from City spending on Capital assets in the rate formula. The large amount of new infrastructure that is being installed each year is the reason for this policy. When maintenance and replacement costs begin to increase this policy may need to be reevaluated.

As shown on the following chart, the Business-type revenue includes capital grants and contributions, investment earnings and miscellaneous income in addition to charges for services (operating revenue).



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's **governmental funds** is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,154,460, a decrease of \$915,651 in comparison with the prior year. Approximately 71 percent or \$10,015,277 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been

committed 1) to pay debt service (\$126,566), 2) for utility improvement purposes (\$765,805), 3) for development purposes (\$2,743,066), 4) for library purposes (\$208,274), and 5) for emergency medical services, prepaid expenses, inventories, encumbrances, donations and grants (\$295,472).

Of the \$10,015,277 unreserved fund balance, the use of \$3,864,367 or approximately 39 percent was committed to specific types of activities; i.e., \$184,079 for special revenue fund activities, and \$3,680,288 for capital project activities.

The **General Fund** is the chief operating fund of the City. As of December 31, 2004, the total fund balance of the general fund was \$6,282,838 of which \$6,150,910 was unreserved. This unreserved fund balance represents approximately 30 percent of 2005 total general fund expenditures.

The fund balance of the general fund increased by \$176,598 in fiscal year 2004. The 2004 annual program budget for the City's general fund identified the appropriation of \$780,000 in fund balance to reduce the impact of taxes levied and to balance the budget. However, actual expenses were less than budgeted expenses by approximately 3 percent or \$630,135 and actual revenue and other sources were more than budget revenue in the general fund by \$203,536 or approximately 1 percent. The increase in revenue can be attributed to increased development activity resulting in more permit and development review fees.

The **Debt Service Fund** has a total fund balance of \$126,566, all of which is reserved for the payment of debt service. The fund balance reflects a decrease of \$1,445,472 due primarily to exercising the call privilege on one of the debt issues.

Proprietary fund. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility at the end of the year amounted to \$1,049,458, a decrease of \$89,255 from December 31, 2003. The growth in total net assets was \$9,324,214.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$971,341, a decrease of \$143,167 from December 31, 2003. The total growth in total net assets was \$5,434,153.

The financial statements for the enterprise funds can be found on Exhibits G, H and I of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. There were additional appropriations that came from other departments or from the contingency budgeted.

As identified earlier, total actual revenue and other sources exceeded the budgeted revenue by \$203,536. Building permits and engineering review fees exceeded their budgets due to increased development activity. This gain was partially offset by interest income accounting for most of the revenue increase.

Actual expenditures were less than budgeted expenditures by \$630,135. This amount was across all functions. The unused portion of the contingency budget of \$501,791 was the main portion of the under expenditures. The insurance and dispatch budget provided additional underexpenditures reduced by overexpenditures in the fire and refuse collection budgets.

Because revenue increased and expenditures declined, the need to draw upon existing fund balance was unnecessary. The combination of favorable variances in revenue and expenditures enabled the fund balance to increase \$176,598.

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$116,602,796 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 4,777,991	\$ 3,482,996	\$ 426,384	\$ 426,384	\$ 5,204,375	\$ 3,909,380
Buildings and Improvements	21,190,277	20,730,209	2,345,953	1,248,910	23,536,230	21,979,119
Improvements other than buildings	8,323,261	2,594,723	91,140,721	75,009,527	99,463,982	77,604,250
Machinery and equipment	<u>11,482,674</u>	<u>11,108,414</u>	<u>1,873,833</u>	<u>1,729,746</u>	<u>13,356,507</u>	<u>12,838,160</u>
Total capital assets	45,774,203	37,916,342	95,786,891	78,414,567	141,561,094	116,330,909
Less Accumulated depreciation	<u>(10,573,537)</u>	<u>(9,397,845)</u>	<u>(14,384,761)</u>	<u>(11,990,178)</u>	<u>(24,958,298)</u>	<u>(21,388,023)</u>
Capital assets net of Depreciation	<u>\$ 35,200,666</u>	<u>\$ 28,518,497</u>	<u>\$ 81,402,130</u>	<u>\$ 66,424,389</u>	<u>\$ 116,602,796</u>	<u>\$ 94,942,886</u>

The total increase in the City's net investment in capital assets for the current fiscal year was a total of \$21,659,910 net of depreciation or a 23 percent increase.

For further details on capital asset activity, refer to Note 1(D)5, Note 4(D) of the Notes to Financial Statements and Schedules 8 – 8.2.

Long-term debt

At December 31, 2004, the City had general obligation note and bond issues outstanding totaling \$24,800,000. State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City is \$134,097,275. The City's current outstanding general obligation debt is 18% of the statutory debt limit. In the last 15 years the City has not exceeded 36 percent of the statutory debt limit. No new debt was issued in 2004. The City paid off the balance of the 1996 bond issue, in addition to making required principal payments on the remaining debt

issues that came due. The City maintains an "Aa3" rating from Moody's for its general obligation debt.

The Franklin Water Utility has no debt outstanding. The Board of Water Commissioners intention is to generally avoid debt by maintaining and building cash and investments and from time to time making improvements to its rate structure. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

The City also has outstanding \$20,030,000 of redevelopment revenue obligations that were issued in order to evidence a loan from the City's Community Development Authority (CDA) to the City. The CDA financed its loan to the City by issuing redevelopment lease revenue bonds. The proceeds of the redevelopment revenue obligations were used to finance the City's Business Park. The obligations are being repaid from its interest in land sales and property tax revenue generated by the City's TIF District No. 2. The CDA debt is not subject to the City's statutory debt limit referred to in a preceding paragraph.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds and notes	\$ 24,800,000	\$ 28,800,000	\$ -	\$ -	\$ 24,800,000	\$ 28,800,000
Revenue bonds	20,030,000	22,270,000	-	-	20,030,000	22,270,000
Total	<u>\$ 44,830,000</u>	<u>\$ 51,070,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,830,000</u>	<u>\$ 51,070,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 7 – 10 in the statistical section of the report.

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2004 for the City was 3.5%, Milwaukee County which includes the City, is 5.2 percent. This compares with an unemployment rate of 4.3 percent for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were (1.28%), 1.42% and 6.0%, respectively.
- The tax levy increase for operations for the current and prior two years were, \$206,760, \$745,308 and \$1,373,644, respectively.
- The 2005 budgets require a local tax rate that increased 1.89% which together with growth will result in a tax levy increased of \$1,085,689 or 6.9 percent.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Treasurer or the Director of Administration, 9229 West Loomis Road, Franklin, WI 53132.

General information or more detailed financial and budget information relating to the City of Franklin, Wisconsin, can be found at the City's website, www.franklinwi.gov.

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN
Statement of Net Assets
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Development Authority
ASSETS				
Cash and investments	\$ 15,405,550	\$ 1,591,919	\$ 16,997,469	\$ 370,686
Receivables				
Accounts receivable	1,031,810	1,341,713	2,373,523	3,300
Taxes receivable	17,493,605	150,351	17,643,956	-
Special assessments receivable	3,239,485	-	3,239,485	-
Internal balances	56,060	(56,060)	-	-
Due from primary government	-	-	-	2,925,386
Due from other governments	183,219	-	183,219	-
Developer receivable	-	-	-	237,830
Prepaid items	26,714	-	26,714	-
Inventories	11,281	-	11,281	-
Restricted cash and investments	-	132,035	132,035	-
Capital assets (net of accumulated depreciation)				
Land	4,777,991	426,384	5,204,375	-
Buildings and improvements	17,363,501	1,796,652	19,160,153	-
Machinery and equipment	4,845,626	852,220	5,697,846	-
Improvements other than buildings	8,213,548	78,326,874	86,540,422	-
Total assets	\$ 72,648,390	\$ 84,562,088	\$ 157,210,478	\$ 3,537,202
LIABILITIES				
Accounts payable	\$ 1,615,065	\$ 800,884	\$ 2,415,949	\$ 157,139
Accrued liabilities	893,848	23,791	917,639	-
Due to other governments	59,844	102,368	162,212	-
Accrued interest	346,331	-	346,331	265,009
Special deposits	29,424	500	29,924	-
Unearned revenue	16,942,487	-	16,942,487	2,925,386
Noncurrent liabilities:				
Due within one year	1,702,723	34,476	1,737,199	2,315,000
Due in more than one year	24,242,956	45,106	24,288,062	17,715,000
Total liabilities	45,832,678	1,007,125	46,839,803	23,377,534
NET ASSETS (LIABILITIES)				
Investment in capital assets, net of related debt	14,205,552	81,402,130	95,607,682	-
Restricted for:				
Utility improvements	765,805	-	765,805	-
Development	2,743,066	-	2,743,066	-
Other purposes	147,544	132,035	279,579	-
Unrestricted	8,953,745	2,020,798	10,974,543	(19,840,332)
Total net assets (liabilities)	\$ 26,815,712	\$ 83,554,963	\$ 110,370,675	\$ (19,840,332)

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Activities
Year Ended December 31, 2004

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	Community Development Authority
Primary Government:							
Government activities:							
General government	\$ 2,535,943	\$ 195,401	\$ -	\$ -	\$ (2,340,542)	\$ -	\$ -
Public safety	13,054,488	2,478,751	106,086	-	(10,469,651)	-	-
Public works	4,152,452	1,473,029	1,390,703	9,887,125	8,598,405	-	8,598,405
Health and human services	538,850	61,273	353,221	-	(124,356)	-	(124,356)
Culture and recreation	1,428,499	201,129	36,790	161,275	(1,029,305)	-	(1,029,305)
Conservation and development	384,702	116,390	-	-	(268,312)	-	(268,312)
Interest on long term debt	1,253,065	-	-	-	(1,253,065)	-	-
Total governmental activities	23,347,999	4,525,973	1,886,800	10,048,400	(6,886,826)	-	(6,886,826)
Business-type activities:							
Water	2,572,320	2,810,730	-	9,514,855	-	9,753,265	9,753,265
Sewer	2,143,916	1,515,084	-	3,916,276	-	3,287,444	3,287,444
Total Business-type activities	4,716,236	4,325,814	-	13,431,131	-	13,040,709	13,040,709
Total primary government	\$ 28,064,235	\$ 8,851,787	\$ 1,886,800	\$ 23,479,531	(6,886,826)	13,040,709	6,153,883
Component Unit:							(1,205,939)
Community Development Authority	\$ 1,205,939	\$ -	\$ -	\$ -			
General revenue:							
Property taxes levied for general purposes					13,397,596	-	13,397,596
Property taxes levied for debt service					2,410,211	-	2,410,211
Property taxes levied for TIF					-	-	-
Other taxes					376,038	-	376,038
Intergovernmental revenue not restricted to specific programs					1,233,790	-	1,233,790
Investment earnings					495,689	18,455	514,144
Miscellaneous revenue					161,557	65,558	227,115
Transfers					(1,633,645)	1,633,645	-
Total general revenue and transfers					16,441,236	1,717,658	18,158,894
Change in net assets					9,554,410	14,758,367	24,312,777
Net assets (liabilities) - beginning					17,261,302	68,796,596	86,057,898
Net assets (liabilities) - ending					\$ 26,815,712	\$ 83,554,963	\$ 110,370,675
							\$ (19,840,332)

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Balance Sheet
Governmental Funds
December 31, 2004

	General	Debt Service	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,586,549	\$ 83,448	\$ 8,526,381	\$ 15,196,378
Receivables				
Accounts receivable	781,361	43,118	73,826	898,305
Taxes receivable	12,329,203	2,823,520	2,340,882	17,493,605
Special assessments receivable	-	2,191,269	1,048,216	3,239,485
Due from other funds	17,113	-	102,000	119,113
Due from other governments	129,305	-	53,914	183,219
Prepaid items	17,647	-	9,067	26,714
Inventories	11,281	-	-	11,281
TOTAL ASSETS	\$ 19,872,459	\$ 5,141,355	\$ 12,154,286	\$ 37,168,100
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 585,441	\$ -	\$ 997,401	\$ 1,582,842
Accrued liabilities	511,617	-	22,731	534,348
Due to other funds	63,053	-	-	63,053
Due to other governments	59,844	-	-	59,844
Special deposits	26,180	-	-	26,180
Deferred revenue	12,343,486	5,014,789	3,389,098	20,747,373
Total Liabilities	13,589,621	5,014,789	4,409,230	23,013,640
FUND BALANCES				
Reserved for:				
Inventories and prepaid items	28,928	-	-	28,928
Encumbrances	103,000	-	16,000	119,000
Subsequent years expenditures	-	-	208,274	208,274
Subsequent years debt service	-	126,566	-	126,566
Emergency medical services	-	-	11,261	11,261
Utility improvements	-	-	765,805	765,805
Development	-	-	2,743,066	2,743,066
Donations & grants	-	-	136,283	136,283
Unreserved reported in:				
General Fund	6,150,910	-	-	6,150,910
Special Revenue Funds	-	-	184,079	184,079
Capital Project Funds	-	-	3,680,288	3,680,288
Total fund balances	6,282,838	126,566	7,745,056	14,154,460
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,872,459	\$ 5,141,355	\$ 12,154,286	\$ 37,168,100
Total fund balances of governmental funds				\$ 14,154,460
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in government funds are not financial resources and are not reported in the funds.				35,200,666
Internal service fund balance				(52,290)
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds.				3,804,886
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds.				(26,292,010)
Net assets of governmental activities				\$ 26,815,712

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Taxes	\$ 11,711,134	\$ 2,410,211	\$ 2,062,500	\$ 16,183,845
Intergovernmental revenue	2,641,983	-	423,526	3,065,509
Licenses and permits	1,258,457	-	-	1,258,457
Fines, forfeitures and penalties	397,169	-	-	397,169
Public charges for services	1,607,075	456,909	-	2,063,984
Special assessments	-	500,409	3,287,518	3,787,927
Intergovernmental charges for services	575,009	-	-	575,009
Investment earnings	177,420	183,037	134,733	495,190
Miscellaneous revenue	136,127	-	311,865	447,992
Total Revenue	<u>18,504,374</u>	<u>3,550,566</u>	<u>6,220,142</u>	<u>28,275,082</u>
EXPENDITURES				
Current				
General government	2,262,025	-	-	2,262,025
Public safety	12,102,357	-	6,750	12,109,107
Public works	3,580,392	-	-	3,580,392
Health and human services	468,087	-	63,335	531,422
Culture, recreation and education	134,440	-	1,001,382	1,135,822
Conservation and development	374,864	-	3,352	378,216
Capital outlay	-	-	2,248,893	2,248,893
Debt service				
Principal	-	4,000,000	-	4,000,000
Interest	-	1,311,211	-	1,311,211
Total Expenditures	<u>18,922,165</u>	<u>5,311,211</u>	<u>3,323,712</u>	<u>27,557,088</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(417,791)	(1,760,645)	2,896,430	717,994
OTHER FINANCING SOURCES (USES)				
Transfers in	634,462	337,199	2,301,978	3,273,639
Transfers out	<u>(40,073)</u>	<u>(22,026)</u>	<u>(4,845,185)</u>	<u>(4,907,284)</u>
Net change in fund balances	176,598	(1,445,472)	353,223	(915,651)
Fund balances - beginning	<u>6,106,240</u>	<u>1,572,038</u>	<u>7,391,833</u>	<u>15,070,111</u>
Fund balances - ending	<u>\$ 6,282,838</u>	<u>\$ 126,566</u>	<u>\$ 7,745,056</u>	<u>\$ 14,154,460</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$ (915,651)
--	--------------

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Governmental funds report capital outlays as expenditures.

However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,709,556) exceeded depreciation (\$1,404,394) in the current period, plus gain on disposal (\$5,808)

310,970

Contributed capital assets are reported as revenues in the statement of activities

6,371,199

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of differences in the treatment of long term debt.

4,000,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds

307

Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds

1,060,383

Revenue in the government funds that provides current financial resources but has been previously reported as revenue in the statement of activities

(1,175,364)

Internal service fund change in net assets

(97,434)

Net change in net assets of governmental activities

\$ 9,554,410

See accompanying notes to the financial statements.

CITY OF FRANKLIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary basis)
Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 12,341,900	\$ 12,341,900	\$ 12,345,596	\$ 3,696
Intergovernmental revenue	2,658,900	2,658,900	2,641,983	(16,917)
Licenses and permits	943,150	943,150	1,258,457	315,307
Fines, forfeitures and penalties	450,000	450,000	397,169	(52,831)
Public charges for services	1,440,650	1,441,650	1,607,075	165,425
Intergovernmental charges for services	623,000	623,000	575,009	(47,991)
Investment earnings	342,500	342,500	177,420	(165,080)
Miscellaneous revenue	134,200	134,200	136,127	1,927
Total Revenue	<u>18,934,300</u>	<u>18,935,300</u>	<u>19,138,836</u>	<u>203,536</u>
EXPENDITURES				
Current				
General government	2,945,257	2,918,057	2,266,525	651,532
Public safety	11,989,474	12,016,474	12,102,357	(85,883)
Public works	3,579,911	3,579,911	3,580,392	(481)
Health and human services	499,368	499,368	468,087	31,281
Culture and recreation	142,952	144,152	134,440	9,712
Conservation and development	497,338	497,338	473,364	23,974
Total Expenditures	<u>19,654,300</u>	<u>19,655,300</u>	<u>19,025,165</u>	<u>630,135</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(720,000)	(720,000)	113,671	833,671
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(40,073)</u>	<u>19,927</u>
Net change in fund balance - budgetary basis	(780,000)	(780,000)	73,598	853,598
Adjustments to generally accepted accounting principles basis				
2004 encumbrances	<u>103,000</u>	<u>103,000</u>	<u>103,000</u>	<u>-</u>
Net change in fund balance - generally accepted accounting principles basis	(677,000)	(677,000)	176,598	853,598
Fund Balances - beginning	<u>6,106,240</u>	<u>6,106,240</u>	<u>6,106,240</u>	<u>-</u>
Fund Balances - ending	<u>\$ 5,429,240</u>	<u>\$ 5,429,240</u>	<u>\$ 6,282,838</u>	<u>\$ 853,598</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2004

(with comparative information for the year ended December 31, 2003)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
ASSETS							
Current assets:							
Cash and investments	\$ 746,633	\$ 761,009	\$ 845,286	\$ 954,083	\$ 1,591,919	\$ 209,172	
Receivables:							
Accounts receivable	892,644	623,547	449,069	434,928	1,341,713	133,505	
Taxes receivable	95,448	68,895	54,903	34,366	150,351	-	
Due from other funds	113,905	163,865	53,977	51,901	167,882	-	
Total current assets	1,848,630	1,617,316	1,403,235	1,475,278	3,251,865	342,677	
Noncurrent assets:							
Restricted cash and investments	-	-	132,035	118,986	132,035	-	
Total restricted assets	-	-	132,035	118,986	132,035	-	
Capital assets:							
Land	115,465	115,465	310,919	310,919	426,384	-	
Buildings and improvements	724,880	724,880	1,621,073	524,030	2,345,953	-	
Improvements other than buildings	43,335,501	32,124,982	47,805,220	42,884,545	91,140,721	-	
Machinery and equipment	1,360,057	1,262,467	513,776	467,279	1,873,833	-	
Less accumulated depreciation	(6,856,617)	(4,961,978)	(7,528,144)	(7,028,200)	(14,384,761)	-	
Total capital assets (net of accumulated depreciation)	38,679,286	29,265,816	42,722,844	37,158,573	81,402,130	-	
Total noncurrent assets	38,679,286	29,265,816	42,854,879	37,277,559	81,534,165	-	
Total assets	\$ 40,527,916	\$ 30,883,132	\$ 44,258,114	\$ 38,752,837	\$ 84,786,030	\$ 342,677	

Continued

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2004

(with comparative information for the year ended December 31, 2003)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 483,034	\$ 351,701	\$ 317,850	\$ 259,411	\$ 800,884	\$ 32,223	
Accrued liabilities	391	11,237	23,400	24,624	23,791	359,500	
Due to other governments	102,368	-	-	-	102,368	-	
Due to other funds	173,089	79,338	50,853	40,609	223,942	-	
Special deposits	500	200	-	-	500	3,244	
Current portion of compensated absences	17,238	13,500	17,238	13,500	34,476	-	
Total current liabilities	<u>776,620</u>	<u>455,976</u>	<u>409,341</u>	<u>338,144</u>	<u>1,185,961</u>	<u>394,967</u>	
Non-current liabilities:							
Accrued compensated absences:	22,553	22,627	22,553	22,626	45,106	-	
Total non-current liabilities	<u>22,553</u>	<u>22,627</u>	<u>22,553</u>	<u>22,626</u>	<u>45,106</u>	<u>-</u>	
Total liabilities	<u>799,173</u>	<u>478,603</u>	<u>431,894</u>	<u>360,770</u>	<u>1,231,067</u>	<u>394,967</u>	
NET ASSETS							
Invested in capital assets	38,679,286	29,265,816	42,722,844	37,158,573	81,402,130	-	
Restricted for:							
Sewer equipment replacement	-	-	132,035	118,986	132,035	-	
Unrestricted (deficit)	<u>1,049,457</u>	<u>1,138,713</u>	<u>971,341</u>	<u>1,114,508</u>	<u>2,020,798</u>	<u>(52,290)</u>	
Total net assets	<u>\$ 39,728,743</u>	<u>\$ 30,404,529</u>	<u>\$ 43,826,220</u>	<u>\$ 38,392,067</u>	<u>\$ 83,554,963</u>	<u>\$ (52,290)</u>	

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2004
(with comparative information for the year ended December 31, 2003)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year		
OPERATING REVENUE						
Metered sales						
Residential	\$ 1,251,511	\$ 1,421,365	\$ 909,607	\$ 900,788	\$ 2,161,118	\$ -
Commercial	619,272	664,720	351,574	355,806	970,846	-
Public authority	195,966	224,901	96,502	104,696	292,468	-
Industrial	195,477	177,859	143,149	138,067	338,626	-
Total Metered Sales	2,262,226	2,488,845	1,500,832	1,499,357	3,763,058	-
Group health & dental charges	-	-	-	-	-	2,365,903
Public fire protection service	451,488	510,247	-	-	451,488	-
Private fire protection service	65,975	79,030	-	-	65,975	-
Forfeited discounts, penalties and other	31,041	20,002	14,252	9,630	45,293	-
Total Operating revenue	2,810,730	3,098,124	1,515,084	1,508,987	4,325,814	2,365,903
OPERATING EXPENSES						
Cost of sales and services	1,589,789	1,617,113	1,439,584	1,385,069	3,029,373	2,468,091
Depreciation	578,708	569,940	541,105	478,593	1,119,813	-
Administration	403,823	323,815	163,227	168,674	567,050	-
Total operating expenses	2,572,320	2,510,868	2,143,916	2,032,336	4,716,236	2,468,091
Operating income (loss)	238,410	587,256	(628,832)	(523,349)	(390,422)	(102,188)
NON-OPERATING REVENUE (EXPENSES)						
Investment earnings	8,892	6,949	9,563	11,450	18,455	4,754
Sundry	60,203	43,108	5,355	10,666	65,558	-
Interest expense	-	(13,024)	-	-	-	-
Amortization of debt discount	-	(4,817)	-	-	-	-
Total non-operating revenue (expenses)	69,095	32,216	14,918	22,116	84,013	4,754
Income (loss) before capital contributions and transfers	307,505	619,472	(613,914)	(501,233)	(306,409)	(97,434)
Capital Contributions	9,514,855	1,454,149	3,916,276	1,838,654	13,431,131	-
Transfers In	131,665	1,328,759	2,136,442	717,612	2,268,107	-
Transfers out	(629,811)	(455,715)	(4,651)	(6,785)	(634,462)	-
Change in net assets	9,324,214	2,946,665	5,434,153	2,048,248	14,758,367	(97,434)
Net assets - beginning	30,404,529	27,457,864	38,392,067	36,343,819	68,796,596	45,144
Net assets - ending	\$ 39,728,743	\$ 30,404,529	\$ 43,826,220	\$ 38,392,067	\$ 83,554,963	\$ (52,290)

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2004
(with comparative information for the year ended December 31, 2003)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,366,816	\$ 2,980,870	\$ 1,485,761	\$ 1,443,010	\$ 3,852,577	\$ 2,309,508
Receipts for interfund services provided	217,856	232,866	-	-	217,856	-
Payments to suppliers	(1,181,532)	(1,726,328)	(1,116,238)	(1,134,981)	(2,297,770)	(2,405,783)
Payments to employees	(362,251)	(330,965)	(347,615)	(298,815)	(709,866)	-
Payments for interfund services used	(79,300)	(77,400)	(79,300)	(77,400)	(158,600)	-
Net cash flows provided by operating activities	961,589	1,079,043	(57,392)	(68,186)	904,197	(96,275)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer out - paid for tax equivalent	(633,039)	(460,475)	(1,423)	(2,025)	(634,462)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(351,818)	(174,186)	(46,497)	(43,724)	(398,315)	-
Interest paid	-	(26,048)	-	-	-	-
Principal paid on long-term debt	-	(940,000)	-	-	-	-
Net cash flows used in capital and related financing activities	(351,818)	(1,140,234)	(46,497)	(43,724)	(398,315)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	8,892	6,951	9,564	11,450	18,456	4,754
Net increase (decrease) in cash and cash equivalents	(14,376)	(514,715)	(95,748)	(102,485)	(110,124)	(91,521)
Cash and cash equivalents - Beginning	761,009	1,275,724	1,073,069	1,175,554	1,834,078	300,693
Cash and cash equivalents - Ending	\$ 746,633	\$ 761,009	\$ 977,321	\$ 1,073,069	\$ 1,723,954	\$ 209,172
Cash and Investments - Unrestricted	\$ 746,633	\$ 761,009	\$ 845,286	\$ 954,083	\$ 1,591,919	\$ 209,172
Cash and Investments - Restricted	-	-	132,035	118,986	132,035	-
	\$ 746,633	\$ 761,009	\$ 977,321	\$ 1,073,069	\$ 1,723,954	\$ 209,172

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2004
(with comparative information for the year ended December 31, 2003)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	
	Current Year	Prior Year	Current Year	Prior Year	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 238,410	\$ 587,256	\$ (628,832)	\$ (523,349)	\$ (102,188)
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities					
Depreciation	578,708	569,940	541,105	478,593	1,119,813
Depreciation allocated to other accounts	6,161	6,241	(6,161)	-	-
Other non operating income	63,431	47,868	2,127	5,906	65,558
(Increase) decrease in assets					
Accounts receivable	(269,097)	61,504	(14,141)	(98,182)	(283,238)
Taxes receivable	(26,553)		(20,537)	26,299	(47,090)
Prepaid expense	-	2,448	-	-	-
Due from other funds	49,960	(75,644)	(2,076)	32,310	47,884
Increase (decrease) in liabilities					
Accounts payable	131,333	(118,758)	58,439	(22,921)	189,772
Accrued liabilities	(10,846)	10,845	(1,224)	11,863	(12,070)
Due to other governments	102,368	-	-	-	102,368
Due to other funds	94,051	(15,037)	10,244	18,916	104,295
Customer Deposits	-	-	-	-	-
Compensated Absences	3,663	2,380	3,664	2,379	7,327
Total Adjustments	723,179	491,787	571,440	455,163	1,294,619
Net cash flows provided by (used in) operating activities	\$ 961,589	\$ 1,079,043	\$ (57,392)	\$ (68,186)	\$ 904,197
					\$ (96,275)
Noncash Capital Activities:					
Cost of Utility plant installed and/or financed by external parties	\$ 9,514,855	\$ 1,413,303	\$ 3,916,276	\$ 1,836,946	\$ 13,431,131
					\$ -

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

ASSETS	<u>Agency Funds</u>
Cash, cash equivalents and investments	\$ 39,590,355
Receivables	
Taxes receivable	13,057,893
Accounts receivable	<u>41,168</u>
Total assets	<u>52,689,416</u>
 LIABILITIES	
Accounts payable	131,036
Due to component unit	2,925,386
Due other governments	49,622,044
Special deposits	<u>10,950</u>
Total liabilities	<u>52,689,416</u>
 Total net assets	 <u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City of Franklin's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be reviewed as an integral part of the accompanying financial statements. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. A summary of the significant accounting policies follows:

A. REPORTING ENTITY

This report includes all of the funds of the City of Franklin. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The Community Development Authority of the City of Franklin (Authority) is included in the government-wide financial statements as a component unit. The Authority is a legally separate organization. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. As a component unit, the Authority's financial statements are presented as a discrete column in the City's financial statements. The City is financially accountable for the Authority due to the municipal lease revenue obligation of the City that supports the lease revenue bonds issued by the Authority. Separate financial statements are not published for the Authority. The Authority follows the accounting policies of the City.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services provided. The primary government is reported separately from a legally separate component unit that the primary government is financially accountable.

The statement of activities demonstrates the degree that direct expenses of a given segment or function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities.

Program revenue includes 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported as general revenue. Internally dedicated resources are reported as general revenue rather than as program revenue.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds with a fund considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets/fund equity, revenue and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter is excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets, liabilities, revenue, or expenditures of that individual governmental or propriety fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental fund or propriety fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and propriety funds combined.
- c. In addition, any other governmental or propriety fund that the city believes is important to financial statement users may be reported as a major fund.

Major Governmental Funds

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resource accumulation from taxes, special assessments and other revenue along with payments made for principal and interest on long-term debt other than CDA or proprietary fund debt.

Major Enterprise Funds

Water Utility Fund – accounts for operations of providing water services to City residents and bills for those services.

Sanitary Sewer Fund – accounts for the operations of providing sanitary sewer services for City residents and bills for those services.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

In addition the City reports:

Non-Major Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The funds include Library, Economic Development, Donations, Civic Celebrations and Grants.

Capital Projects Funds – account for resources accumulated to be used for the purchase of equipment, street replacement, acquisition of land and the construction of capital improvement projects. The funds include Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement and Development.

Other Fund Types

Internal Service funds – to account for the payment of group health and dental charges for services and stop loss insurance charges by the City and the billing of departments or agencies of the City on a cost-reimbursement basis for the services received.

Agency funds – to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and /or governmental units. The agency funds include a property tax fund and other agency funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenditures are recorded when the liability is incurred or economic asset used. Revenue, expenditures, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year that they are levied.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Government-Wide Financial Statements (continued)

Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenue when services are performed.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water utility and sanitary sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when it is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgements, compensated absences and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivable and deferred revenue and are recognized as revenue in the succeeding year when services financed by the levy are provided.

Intergovernmental aids and grants are recognized as revenue in the period the city is entitled to the resources and the amounts are available. Amounts owed to the City that are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are recorded as deferred revenue.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

FUND FINANCIAL STATEMENTS (continued)

Special assessments levied for benefits to property owners for installation of sanitary sewers, water mains, roads, and other improvements are recorded as revenue when they become measurable and available. Annual installments due in future years are recorded as receivables and deferred revenue.

Revenue susceptible to accrual include property taxes, room taxes, public charges for services, permits and interest. Other general revenue such as fines and forfeitures, licenses and miscellaneous revenue are recognized when received or when measurable and available under the criteria mentioned above.

Deferred revenue is reported on the governmental funds balance sheet. Deferred revenue arises from taxes levied in the current year that are for subsequent year's operations. For governmental funds financial statements deferred revenue arises where potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency fund financial statements are reported using the accrual basis of accounting.

The Enterprise funds follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenue of the water and sanitary sewer funds are charges to customers for sales and services provided. The rates billed in the water utility are approved by the Public Service Commission. Sanitary sewer charges are billed at rates established by City policy based on the charges received from the Milwaukee Metropolitan Sewage District.

Operating expenses for Proprietary funds include the cost of sales and services, administration and depreciation on capital assets. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures/ expenses during the reporting period. Actual results could vary from those estimates.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investment of city funds are restricted by state statutes. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, local exposition district, local professional baseball park district, local professional football stadium district, cultural arts district, village, town or school district of the State of Wisconsin and University of Wisconsin Hospitals and Clinics Authority.
4. The Local Government Investment Pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category assigned of a nationally recognized rating agency.
6. Securities of an open-ended management investment company or investment trust subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

1. Deposits and Investments (continued)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2004, the fair value of the City's share of LGIP's assets was substantially equal to the amount reported in these statements.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the municipality, taxes are collected for and remitted to the State government, County government, local school districts, technical college district and metropolitan sewerage district. Taxes for all State and other local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2004 tax roll:

Lien date and levy date	December 2004
Tax bills mailed	December 2004
Payment in full, or	January 31, 2005
First installment due	January 31, 2005
Second installment due	March 31, 2005
Third installment due	May 31, 2005
Personal property taxes in full	January 31, 2005
Final tax settlement with County	August 15, 2005
Tax deed by County – 2004	
Delinquent real estate taxes	October 2007

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the city and utility because of their right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Long term interfund loans (non-current portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and the proprietary activities are reported in the government-wide financial statements as "internal balances".

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

2. Receivables (continued)

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

3. Inventories and Prepaid Items

Governmental fund inventory items, except fuel inventory, are charged to expenditures when purchased. The fuel inventory is recorded at cost on a first in first out basis using the consumption method of accounting. Year end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for sale. Material and supplies on hand at year end are considered immaterial.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by bond agreements and other external parties. Current liabilities payable from restricted assets are so classified. The excess of restricted assets over current liabilities will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

5. Capital Assets

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$10,000 for infrastructure assets and an estimated useful life of three years or more. All capital assets are recorded at historical cost or at estimated historical cost if actual amounts are not available.

Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34 governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

5. Capital Assets (continued)

Government-Wide Statements (continued)

Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007 when GASB 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2004, the City has not retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by asset type of follows:

Buildings and improvements	20-50 Years
Machinery and Equipment	5-30 Years
Water and sewer systems	20-100 Years
Infrastructure	30-90 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same in the government-wide statements.

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

7. Compensated Absences

Under terms of employment, employees may earn compensatory time and are granted sick leave, severance pay and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested compensatory time, sick leave, severance pay and vacation pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements and are payable with expendable available resources.

Payments for vested compensatory time, sick leave, severance pay and vacation pay will be made at rates in effect when the benefits are used. Accumulated vested compensatory time, sick leave, severance pay and vacation pay liabilities are determined on the basis of current salary rates and include salary related payments.

The city also provides postemployment health and dental care benefits for all eligible employees. Eligibility and benefit levels are based on contractual agreements with employee groups, City ordinances and employee benefit policies. Some employees may leave their accumulated severance to pay for their portion of health care premiums. The City contribution to postretirement health care is 75% of the year of retirement premium cost with the employee paying any balance due plus the cost of any dental benefit selected. The City's portion of health care cost is recognized as expenditure in the period premiums are paid. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis.

8. Long-term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term Obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premium) is reported as other financing sources and payments of principal and interest are reported as expenditures. The proprietary fund accounting is the same as it is in the government-wide statements.

The City has approved issuance of industrial development revenue bonds (IDRB) for the benefit of private business enterprises. IDRB's are secured by mortgages or revenue agreements on associated projects and do not constitute indebtedness of the city. Accordingly, bonds are not reported as liabilities in the financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the government funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in governmental fund financial statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

11. Comparative data/reclassifications

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2003, from which the data was derived.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "other long term assets that are not available to pay for current period expenditures and therefore are deferred in the funds". The details of this difference are as follows:

Special Assessments	<u>\$3,804,886</u>
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Capital Assets used in government funds are not financial resources and, therefore, are not reported in the funds.

Land	\$4,777,991
Buildings	21,190,277
Machinery and Equipment	11,482,674
Infrastructure	8,323,261
Less: Accumulated depreciation	<u>(10,573,537)</u>
Adjustment for Capital assets	<u>\$35,200,666</u>

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net assets.

Bonds and notes payable	\$24,800,000
Compensated absences	1,145,679
Accrued Interest	<u>346,331</u>
Combined Adjustment for long-term liabilities	<u>\$26,292,010</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government wide statement of activities. One element of that reconciliation explains that "revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds". The details of this difference are as follows:

Special assessment levies	<u>\$1,060,383</u>
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Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets". The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ -
Principal repayments:	
General obligation debt	<u>4,000,000</u>
Net adjustment to decrease net changes	
In fund balances – total governmental	
Funds to arrive at changes in net	
Assets of governmental activities	<u>\$4,000,000</u>

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds". The details of this difference are as follows:

Compensated absences	\$57,839
Accrued interest	<u>(58,146)</u>
Net adjustments to increase net changes in	
fund balances – total governmental funds	
to arrive at changes in net assets of	
governmental activities	<u>\$(307)</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation states that "revenue in the governmental funds that provides current financial resources but have been previously recorded as revenue in the statement of activities". The details of this difference are as follows:

Special assessment collections	<u>\$1,175,364</u>
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NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1 C with the exception of encumbrances and tax equivalent from the water utility. Actual (Budgetary basis) expenditures presented reflect actual (GAAP) expenditures adjusted for expenditures liquidated under the prior period budget and encumbrances expected to be liquidated under the current period budget. Actual (budgetary basis) revenue present the tax equivalent from the water utility as tax revenue while the GAAP basis statements present this item as a transfer in.

A budget has been adopted for the general, debt service, library, capital outlay, equipment replacement, capital improvement, street improvement, sanitary sewer and water utility funds. Budgets have not been formally adopted for other funds.

The budgeted amounts presented include any amendments made during the year. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the common council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year were not material. Budgets are adopted at the function level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). Some departments within functions experienced expenditures that exceeded departmental appropriations. Details of those items can be found in the budget to actual report on Schedule 4.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Cash and investment balances as disclosed on the accompanying financial statements are comprised of the following:

Petty cash	\$ 2,400
Carrying amount of deposits	46,002,100
Carrying amount of investments	<u>11,086,045</u>
	<u>\$ 57,090,545</u>

Cash and investment balances disclosed herein include those of the Authority, which are an integral part of the pooled cash and investments of the City. Reconciliation to the financial statements:

Primary Government:	
Unrestricted cash and investments	\$ 16,997,469
Restricted cash and investments	132,035
Component Unit	
Unrestricted cash and investments	370,686
Per Statement of Fiduciary Net Assets	<u>39,590,355</u>
	<u>\$ 57,090,545</u>

At year-end, the carrying amount of the City's deposits was \$46,002,100 and the bank balance was \$35,365,979. Deposits in each bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. The bank balance covered by federal depository insurance was \$430,384.

Of the remaining balance, \$29,996,775 was collateralized with securities held by the pledging financial institution's trust department or agent in the city's name and \$4,938,820 was uninsured and uncollateralized. The City's deposits are also insured in the amount of \$400,000 by the State of Wisconsin Deposit Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to the City. This coverage has not been considered in computing the insured or collateralized amounts above.

The city's investments are categorized to give an indication of the level of custodial credit risk assumed by the city at year end. Category 1 includes investments that are insured or registered or which are collateralized by or evidenced by securities held by the City or its agent in the City's name.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent but not in the City's name.

	Category			Carrying Amount/ Fair Value
	1	2	3	
U.S. Treasury securities	\$ -	\$ -	\$ 494,186	\$ 494,186
U.S. Agency securities	-	-	6,631,732	6,631,732
Corporate notes	-	-	968,150	968,150
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,094,068</u>	8,094,068
Investment in Wisconsin Local Government Investment Pool				2,169,235
U.S. Government Money Market Funds				<u>822,742</u>
				<u>\$ 11,086,045</u>

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

The City is exposed to market risk through its participation in the Wisconsin Local Government Investment Pool and both market and credit risk through ownership of U.S. Treasury and Agency securities and corporate notes. There were no violations of legal provisions regarding deposits and investments.

Fluctuating cash flows during the year due to the timing of receipt of tax collections, other revenue, and/or proceeds from borrowing sources may result in uninsured balances varying from the amounts reported at year end.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Receivables consist of accounts, taxes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and a general valuation allowance, was \$37,130 at December 31, 2004. Other than special assessment receivables all other receivables are expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and can not be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred and unearned revenue reported in the financial statements were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Funds:			
Property taxes receivable	\$ -	\$ 16,942,487	\$ 16,942,487
Special assessments not yet due	<u>3,804,886</u>	<u>-</u>	<u>3,804,886</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 3,804,886</u>	<u>\$ 16,942,487</u>	<u>\$ 20,747,373</u>
Component Unit:			
Tax increment receivable	<u>\$ -</u>	<u>\$ 2,925,386</u>	<u>\$ 2,925,386</u>

C. RESTRICTED ASSETS

Sewer Equipment Replacement Account

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge are accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2004 is \$132,035.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,482,996	\$ 1,294,995	\$ -	\$ 4,777,991
Capital assets being depreciated:				
Buildings & improvements	20,730,209	460,068	-	21,190,277
Machinery & equipment	11,108,414	597,154	(222,894)	11,482,674
Infrastructure	2,594,723	5,728,538	-	8,323,261
Total capital assets being depreciated	34,433,346	6,785,760	(222,894)	40,996,212
Less: Accumulated depreciation for:				
Buildings & improvements	3,352,177	474,599	-	3,826,776
Machinery & equipment	6,021,809	843,941	(228,702)	6,637,048
Infrastructure	23,859	85,854	-	109,713
Total accumulated depreciation	9,397,845	1,404,394	(228,702)	10,573,537
Net capital assets being depreciated	25,035,501	5,381,366	5,808	30,422,675
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 28,518,497	\$ 6,676,361	\$ 5,808	\$ 35,200,666

Under provisions of GASB 34 implementation of infrastructure assets prior to 2003 may be deferred until 2007, if necessary. The City of Franklin has elected to defer until, at least 2005, the inclusion of prior infrastructure assets. The implication of this decision is capital assets and investment in capital assets net of indebtedness are lower than what could otherwise be expected.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 231,870
Public safety	677,307
Public works	328,666
Health & human services	3,488
Culture & recreation	157,096
Conservation & development	<u>5,967</u>

Total governmental activities depreciation expense	<u>\$ 1,404,394</u>
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	Beginning Balance	Additions	Dispositions	Ending Balance
Business-type Activities				
Capital Assets not being depreciated:				
Land	\$ 426,384	\$ -	\$ -	\$ 426,384
Capital assets being depreciated:				
Buildings & improvements	1,248,910	1,132,043	(35,000)	2,345,953
Machinery & equipment	1,729,746	144,087	-	1,873,833
Infrastructure	<u>75,009,527</u>	<u>16,132,737</u>	<u>(1,543)</u>	<u>91,140,721</u>
Total capital assets being depreciated	<u>77,988,183</u>	<u>17,408,867</u>	<u>(36,543)</u>	<u>95,360,507</u>
Less: Accumulated depreciation for:				
Buildings & improvements	527,781	56,520	(35,000)	549,301
Machinery & equipment	910,342	111,271	-	1,021,613
Infrastructure	<u>10,552,055</u>	<u>2,263,335</u>	<u>(1,543)</u>	<u>12,813,847</u>
Total accumulated depreciation	<u>11,990,178</u>	<u>2,431,126</u>	<u>(36,543)</u>	<u>14,384,761</u>
Net capital assets being depreciated	<u>65,998,005</u>	<u>14,977,741</u>	<u>-</u>	<u>80,975,746</u>
Business-type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 66,424,389</u>	<u>\$ 14,977,741</u>	<u>\$ -</u>	<u>\$ 81,402,130</u>

Depreciation expense was charged to functions as follows.

Business-Type Activities:

Water	\$ 578,708
Sewer	<u>541,105</u>
	<u>\$ 1,119,813</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

During 2004 the City reacquired Water Utility infrastructure assets at the expiration of a 30 year water service agreement. The capital assets were recorded at the original historical cost and accumulated depreciation was recorded for all periods prior to the current year.

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2004 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General	Water Utility	\$ 17,113
Capital Improvement	Water Utility	102,000
		<u>119,113</u>
Enterprise funds:		
Water Utility	General	63,053
	Sanitary Sewer	50,852
Sanitary Sewer	Water Utility	<u>53,977</u>
		<u>167,882</u>
Subtotal - Fund financial statements		286,995
Less: Government-wide eliminations		<u>230,935</u>
Total internal balances - Government-Wide		
Statement of Net Assets		<u>\$ 56,060</u>

The principal purpose of these interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. In all cases amounts are repaid within one year.

For the statement of net assets, interfund balances owed within the governmental activities or business – type activities are netted and eliminated.

INTERFUND TRANSFERS

Generally, transfers are used to (1) move revenue from the funds that collect them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Transfers during the year ended December 31, 2004 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Enterprise - Water Utility	\$ 634,462
Debt Service	Capital Projects - Development	337,199
Special Revenue - Library	General	40,073
Capital Projects Funds:		
Utility Improvement	Debt Service	22,026
Equipment Replacement	Special Revenue - Grants	3,341
	Special Revenue - Donations	2,025
Capital Improvements	Capital Projects - Street Improvement	328,000
	Capital Projects - Development	28,524
	Capital Projects - Utility Improvement	1,877,989
Enterprise - Water Utility	Capital Projects - Capital Improvement	18,548
	Capital Projects - Development	113,117
Enterprise - Sanitary Sewer	Capital Projects - Capital Improvement	2,136,442
Subtotal - Fund financial statements		<u>5,541,746</u>
Less: Government-wide eliminations		<u>3,908,101</u>
Total transfers - Government-wide Statement of Activities		<u>\$ 1,633,645</u>

Component Unit Interfund Transactions

Due to/from the primary government at December 31, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Community Development Authority		
TIF II Business Park		
Capital Projects Fund	Agency Fund - Property Tax	<u>\$ 2,925,386</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS

Long-term liabilities for the year ended December 31, 2004 were as follows:

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 28,800,000	\$ -	\$ 4,000,000	\$ 24,800,000	\$ 1,350,000
Compensated absences					
Accrued vacation pay	255,375	599,124	589,861	264,638	264,638
Accrued severance pay	745,849	101,820	40,213	807,456	31,870
Accrued compensatory time	86,616	156,447	169,478	73,585	56,215
Total compensated absences	1,087,840	857,391	799,552	1,145,679	352,723
Government activities					
Long-term liabilities	\$ 29,887,840	\$ 857,391	\$ 4,799,552	\$ 25,945,679	\$ 1,702,723
Business-type Activities					
General obligation debt	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences					
Accrued vacation pay	29,715	33,965	30,283	33,397	33,397
Accrued severance pay	42,052	3,054	-	45,106	-
Accrued compensatory time	486	5,881	5,288	1,079	1,079
Total compensated absences	72,253	42,900	35,571	79,582	34,476
Business-type activities					
Long-term liabilities	\$ 72,253	\$ 42,900	\$ 35,571	\$ 79,582	\$ 34,476

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. The notes and bonds will be retired by future property tax levies, special assessment collections and designated landfill revenue.

The City used available funds, to repay the remaining \$1,750,000 in maturities of the \$5,475,000 General Obligation Promissory Notes issued in 1996 at interest rates ranging from 4.0% to 5.0% on September 1, 2004, an early redemption call date.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

Details of general obligation notes and bonds payable are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation promissory notes						
	5/ 1/99	3.5-4.3	5/1/00-09	5/1&11/1	\$ 7,850,000	\$ 5,050,000
	5/15/01	4.25-4.60	3/ 1/02-11	3/1& 9/1	10,000,000	9,025,000
General obligation refunding bonds						
	9/ 1/96	4.0-5.1	9/1/97-07	3/1& 9/1	3,250,000	850,000
	4/15/01	4.3-5.40	3/ 1/02-21	3/1& 9/1	10,000,000	9,875,000
						<u>\$ 24,800,000</u>

Annual principal and interest payments to maturity on general obligation notes and bonds payable are as follows:

Year	Principal	Interest	Total	Balance Outstanding 12/31
2004				\$ 24,800,000
2005	\$ 1,350,000	\$ 1,123,504	\$ 2,473,504	23,450,000
2006	1,600,000	1,031,885	2,631,885	21,850,000
2007	2,550,000	955,198	3,505,198	19,300,000
2008	2,625,000	848,141	3,473,141	16,675,000
2009	2,650,000	732,085	3,382,085	14,025,000
2010 - 2014	6,055,000	2,438,851	8,493,851	7,970,000
2015 - 2019	4,930,000	1,412,238	6,342,238	3,040,000
2020 - 2021	3,040,000	153,260	3,193,260	-
	<u>\$ 24,800,000</u>	<u>\$ 8,695,162</u>	<u>\$ 33,495,162</u>	

The City's statutory debt limit and margin of indebtedness at December 31, 2004 are \$134,097,275 and \$109,297,275, respectively.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

CONDUIT DEBT OBLIGATIONS

Twelve series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$109,485,000 are outstanding with a December 31, 2004 balance of \$103,750,946. During the year one issue of \$4,500,000 was retired.

COMPONENT UNIT DEBT

Summary of Component Unit Long-Term Liabilities

General Long-Term liabilities for the Authority for the year ended December 31, 2004 are summarized below:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due within one year
Lease revenue					
bonds payable	<u>\$ 22,270,000</u>	<u>\$ -</u>	<u>\$ 2,240,000</u>	<u>\$ 20,030,000</u>	<u>\$ 2,315,000</u>

The Authority issued Redevelopment Lease Revenue Bonds for the purpose of financing a loan from the Authority to the City to finance project costs associated with the City's Tax Incremental District II. The bonds are not general obligations of the Authority or the City, but are secured by the obligation of the City to make payments under a lease between the Authority and the City. The lease generally provides for payments by the City to the Authority in amounts equal to the principal and interest payments on the bonds on the dates such payments are due.

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31
Redevelopment Lease Revenue Bonds						
	7/1/98	6.65-6.95	4/1/04-08	4/1&10/1	\$ 5,275,000	\$ 4,355,000
	7/1/98	3.90-5.20	4/1/99-13	4/1&10/1	18,145,000	<u>15,675,000</u>
						<u>\$ 20,030,000</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

COMPONENT UNIT DEBT (continued)

Annual principal and interest payments to maturity on Redevelopment Lease Revenue Bonded Debt are as follows:

Year	Principal	Interest	Total	Balance 12/31
2004				\$ 20,030,000
2005	\$ 2,315,000	\$ 996,836	\$ 3,311,836	17,715,000
2006	2,750,000	858,780	3,608,780	14,965,000
2007	2,820,000	705,335	3,525,335	12,145,000
2008	2,910,000	544,433	3,454,433	9,235,000
2009	1,715,000	420,960	2,135,960	7,520,000
2010 - 2013	7,520,000	771,030	8,291,030	-
	<u>\$ 20,030,000</u>	<u>\$ 4,297,374</u>	<u>\$ 24,327,374</u>	

G. NET ASSETS/FUND BALANCES

Governmental Activities

Government activities net assets reported on the government-wide statement of net assets at December 31, 2004 include the following:

Invested in capital assets, net of related debt

Land	\$ 4,777,991
Other capital assets, net of accumulated depreciation	30,422,675
Less: related long term debt outstanding	(20,995,114)
Total invested in capital assets	<u>14,205,552</u>

Restricted for:

Emergency medical services	11,261
Utility improvement	765,805
Development	2,743,066
Donations	77,629
Grants	58,654
Total restricted	<u>3,656,415</u>

Unrestricted

8,953,745

Total governmental activities net assets

\$ 26,815,712

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES (continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2004 include the following:

Reserved

Major funds:

General Fund - Inventories and prepaid items	\$ 28,928
General Fund - Encumbrances	103,000
Debt Service Fund - subsequent year debt service	126,566

Non Major funds:

Special Revenue Funds:

Library services	127,274
Emergency medical services	11,261
Donations	77,629
Grants	58,654

Capital Project Funds:

Encumbrances	16,000
Capital Improvement	81,000
Development	2,743,066
Utility improvement	765,805

Total reserved	<u>\$ 4,139,183</u>
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Unreserved:

Major Fund - General Fund

Designated for working capital	\$ 3,236,000
Designated for future expenditures	740,000
Undesignated	2,174,910
Total General Fund	<u>6,150,910</u>

Non Major funds:

Special Revenue funds

Designated for library services	108,621
Designated for economic development activities	59,727
Designated for civic celebration activities	15,731
Total Special Revenue funds	<u>184,079</u>

Capital project funds

Designated for Capital Outlay	97,459
Designated for Equipment Replacement	1,884,151
Designated for Capital Improvement	1,408,637
Designated for Street Improvement	290,041
Total Capital Project Funds	<u>3,680,288</u>

Total Unreserved Funds	<u>\$ 10,015,277</u>
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CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 5.6% of their salary (4.5% for protective occupations with social security, and 3.2% for protective occupations without social security) to the plan. Employers may make these contributions to the plan on behalf of the employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2004 was \$6,224,222; the employer's total payroll was \$11,287,256. The total required contribution paid entirely by the employer for the year ended December 31, 2004 was \$1,089,239 or 17.5% of covered payroll. Of the total required contribution, 100 percent was contributed for the current year. Total contributions for the years ended December 31, 2003 and 2002 were \$947,469 and \$898,351, respectively, equal to the required contributions for each year.

Protective employees who retire at or after age 53 with 25 years or more of service or age 54 with less than 25 years of service are entitled to receive retirement benefits. Protective employees may retire at age 50 and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final Average Earnings is the average of the protective employee's three highest years earnings. Protective employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the Wisconsin Statutes. The System issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan

PLAN DESCRIPTION

The City is also a participant in the City of Franklin Public Works Employees' Pension Plan, a non-contributory single employer defined benefit pension plan covering eligible public works employees. The assets of this Plan are administered by Principal Life Insurance Company. An annual financial report may be obtained by writing to the plan administrator at Principal Financial Group, P.O. Box 9693, Des Moines, IA 50306-9396.

Employees attaining the age of 60 are entitled to annual benefits of 1.98% of average compensation multiplied by the number of complete years of service subsequent to January 1, 1956. Average compensation is defined as the monthly total pay plus salary deferrals, compensation and overtime received for the three consecutive years out of the ten latest years which gives the highest average. Employees may retire early and receive reduced benefits at age 55 with at least ten years of service.

Disability benefits equivalent to expected benefits at normal retirement date are paid until normal retirement date, death or recovery. If an active employee dies, his or her beneficiary receives a lump-sum cash payment equal to the participant's accumulation at date of death or an annuity benefit deferred until participant's earliest retirement date.

If an employee terminates his or her employment with the City, the employee has the option of accepting either normal retirement benefits at normal retirement date, or a lump-sum cash payment of participant's vested accumulations. An employee becomes 50% vested after five years of service and 100% vested after ten years.

Employees do not make pension contributions. The City contributes all amounts necessary to fund the pension plan, using the aggregate actuarial cost method.

Funding Policy

The City's funding policy is to provide yearly contributions at actuarially determined rates that, expressed as a percentage of covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

During the year ended December 31, 2004, contributions totaling \$204,665 were made in accordance with contribution requirements determined by an actuarial valuation of the pension plan as of January 1, 2004. Employer contributions represented 19.2% of current year covered payroll.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. DEFINED BENEFIT PENSION PLANS (continued)

ANNUAL PENSION COST

For 2004, the City's annual pension cost of \$204,665 for the pension plan was equal to the City's required and actual contributions. The required contribution was determined during the January 1, 2004 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging from 5.0% to 7.0% compounded annually, (b) projected salary increases of 2.00% per year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 1.88% to 5.10% per year, depending on age, attributable to seniority/merit. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2004	\$ 204,665	100%	\$ -
12/31/2003	191,468	100%	-
12/31/2002	191,364	100%	-

Actual Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Percentage of Covered Payroll [(C)/(E)]
1/1/2004	\$ 2,563,079	\$ 2,563,079	-	100%	\$ 1,064,464	-%
1/1/2003	2,501,700	2,501,700	-	100%	990,311	-%
1/1/2002	2,157,178	2,157,178	-	100%	979,294	-%

There were no significant changes in actuarial assumptions during the valuation year ended January 1, 2004.

I. DEFINED CONTRIBUTION PLAN

Based on City ordinances all eligible City of Franklin non-protective employees (except public works employees) participate in the City of Franklin Defined Contribution Plan (the "Plan"). The Plan assets are administered by the Principal Life Insurance Company.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. DEFINED CONTRIBUTION PLAN (continued)

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make an periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees may but are not required to make contributions. A participant's accrued benefit for City contributions is 100% vested and nonforfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2004, the City made the required contribution amounting to \$310,282, or 10% of covered payroll and employees made \$4,551 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

I. POST RETIREMENT HEALTH CARE BENEFITS

The City provides to longer term employees certain health care benefits at a reduced cost during the period from their normal retirement date until they reach age 65. The cost of this retiree health care benefit is recognized as expenditures when premiums are due. For 2004, 19 retired employees and their dependents received this benefit at a cost to the City of approximately \$101,379.

J. CONTINGENCIES AND COMMITMENTS

From time to time the City is party to various claims and legal proceedings. Although the outcome of such matters is not presently determinable, it is the opinion of City management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City receives impact fees for new development projects. The fees are to be used to fund specific projects within a specific period of time. In the event the projects are not completed or the time period elapses, the City will be required to refund the impact fees to owners of property that the fees were originally charged.

The City has no material outstanding contractual commitments relating to various Public Works projects and equipment purchases at December 31, 2004.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

J. CONTINGENCIES AND COMMITMENTS (continued)

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits and other miscellaneous revenue. The State of Wisconsin provides a variety of aid and grant programs that benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget process. The State of Wisconsin is currently experiencing budget problems and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, natural disasters, and workers' compensation claims that the City carries commercial insurance. No significant reductions in insurance coverage occurred for any risk of loss in the past year, and settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for losses in excess of \$50,000 per year per individual. Liabilities are reported when it is probable that loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR"). Changes in the balance of claims payable for the three years ended December 31, 2004 are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2004	\$ 294,500	\$ 2,248,233	\$ 2,183,233	\$ 359,500
2003	214,500	2,247,593	2,167,593	294,500
2002	204,500	1,503,914	1,493,914	214,500

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are restricted for specified purposes.

Library Fund - This fund accounts for the operation of the City's Library.

Economic Development Fund - This fund accounts for resources dedicated to improving and maintaining the City's industrial park.

Donation Fund - This fund accounts for donations received for specific purposes.

Civic Celebrations Fund - This fund accounts for activity related to the City's Fourth of July or other celebrations.

Grant Fund – The City reports its grant activities in this fund. Grant activities include Fire Department, Police Department, Health Department, Community Development Block Grants and miscellaneous grants received by the City that are not accounted for elsewhere.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Capital Outlay Fund – This fund accounts for the departmental capital outlays. These expenditures are funded by the tax levy, normally are less than \$25,000 and are under the direction of the department supervisor.

Equipment Replacement Fund - This fund accounts for the rolling stock replacement program that accumulates annual funding (from property taxes) for replacement of vehicles and similar equipment in lieu of using borrowed monies.

Capital Improvement Fund - This fund accounts for land acquisitions, building projects and all public works projects and are usually funded with borrowed money or funding from some other source other than the tax levy.

Street Improvement Fund - This fund accounts for the activities of the local road improvement program. Funding is provided by the tax levy and a every other year local road improvement grant from the State.

Utility Improvement Fund - This fund is used to account for water and sewer connection fees that are used for water and sewer construction projects.

Development Fund - This fund is used to account for impact fees restricted for use to capital improvements.

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Special Revenue Funds					Total
	Library Fund	Economic Development Fund	Donation Fund	Celebrations Fund	Grant Fund	
ASSETS						
Cash and investments	\$ 205,741	\$ 59,727	\$ 78,297	\$ 15,731	\$ 20,040	\$ 379,536
Receivables						
Accounts receivable	70,274	-	-	-	3,552	73,826
Taxes receivable	976,000	-	-	-	-	976,000
Special assessments receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	53,914	53,914
Prepaid items	9,067	-	-	-	-	9,067
TOTAL ASSETS	\$ 1,261,082	\$ 59,727	\$ 78,297	\$ 15,731	\$ 77,506	\$ 1,492,343
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 30,234	\$ -	\$ 668	\$ -	\$ 3,813	\$ 34,715
Accrued liabilities	18,953	-	-	-	3,778	22,731
Deferred revenue	976,000	-	-	-	-	976,000
Total Liabilities	<u>1,025,187</u>	<u>-</u>	<u>668</u>	<u>-</u>	<u>7,591</u>	<u>1,033,446</u>
FUND BALANCES						
Reserved for						
Encumbrances	-	-	-	-	-	-
Subsequent years expenditures	127,274	-	-	-	-	127,274
Emergency medical services	-	-	-	-	11,261	11,261
Utility improvements	-	-	-	-	-	-
Development	-	-	-	-	-	-
Donations & grants	-	-	77,629	-	58,654	136,283
Unreserved reported in:						
Special Revenue Funds	108,621	59,727	-	15,731	-	184,079
Capital Projects Funds	-	-	-	-	-	-
Total Fund Balances	<u>235,895</u>	<u>59,727</u>	<u>77,629</u>	<u>15,731</u>	<u>69,915</u>	<u>458,897</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,261,082	\$ 59,727	\$ 78,297	\$ 15,731	\$ 77,506	\$ 1,492,343

(Continued)

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Capital Projects Funds					Total	
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Nonmajor Governmental Funds
ASSETS							
Cash and investments	\$ 124,074	\$ 1,884,151	\$ 1,858,330	\$ 290,041	\$ 892,512	\$ 3,097,737	\$ 8,146,845
Receivables:							
Accounts receivable	-	-	-	-	-	-	73,826
Taxes receivable	333,000	250,000	-	730,000	51,882	-	1,364,882
Special assessments receivable	-	-	-	-	1,048,216	-	1,048,216
Due from other funds	-	-	102,000	-	-	-	102,000
Due from other governments	-	-	-	-	-	-	53,914
Prepaid items	-	-	-	-	-	-	9,067
TOTAL ASSETS	\$ 457,074	\$ 2,134,151	\$ 1,960,330	\$ 1,020,041	\$ 1,992,610	\$ 3,097,737	\$ 12,154,286
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 26,615	\$ -	\$ 454,693	\$ -	\$ 126,707	\$ 354,671	\$ 997,401
Accrued liabilities	-	-	-	-	-	-	22,731
Deferred revenue	333,000	250,000	-	730,000	1,100,098	-	3,389,098
Total Liabilities	359,615	250,000	454,693	730,000	1,226,805	354,671	4,409,230
FUND BALANCES							
Reserved for:							
Encumbrances	-	-	16,000	-	-	-	16,000
Subsequent years expenditures	-	-	81,000	-	-	-	208,274
Emergency medical services	-	-	-	-	-	-	11,261
Utility improvements	-	-	-	-	765,805	-	765,805
Development	-	-	-	-	-	2,743,066	2,743,066
Donations & grants	-	-	-	-	-	-	136,283
Unreserved reported in:							
Special Revenue Funds	97,459	1,884,151	1,408,637	290,041	-	-	184,079
Capital Projects Funds	97,459	1,884,151	1,505,637	290,041	765,805	2,743,066	3,680,288
Total Fund Balances	194,918	3,768,302	2,914,274	580,082	765,805	2,743,066	7,745,056
TOTAL LIABILITIES AND FUND BALANCES	\$ 457,074	\$ 2,134,151	\$ 1,960,330	\$ 1,020,041	\$ 1,992,610	\$ 3,097,737	\$ 12,154,286

CITY OF FRANKLIN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2004

	Special Revenue Funds					
	Library Fund	Economic Development Fund	Donation Fund	Celebrations Fund	Grant Fund	Total
REVENUE						
Taxes	\$ 884,500	\$ -	\$ -	\$ -	\$ -	\$ 884,500
Intergovernmental revenue	-	-	840	-	343,596	344,436
Special assessments	-	-	-	-	-	-
Investment earnings	5,272	687	962	-	166	7,087
Miscellaneous revenue	133,207	-	9,934	104,712	8,357	256,210
Total Revenue	<u>1,022,979</u>	<u>687</u>	<u>11,736</u>	<u>104,712</u>	<u>352,119</u>	<u>1,492,233</u>
EXPENDITURES						
Current:						
Public safety	-	-	5,960	-	790	6,750
Health and human services	-	-	554	-	62,781	63,335
Culture and recreation	854,640	-	-	113,353	19,472	987,465
Conservation and development	-	-	-	-	-	-
Capital outlay	113,093	-	-	-	232,283	345,376
Total Expenditures	<u>967,733</u>	<u>-</u>	<u>6,514</u>	<u>113,353</u>	<u>315,326</u>	<u>1,402,926</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	55,246	687	5,222	(8,641)	36,793	89,307
OTHER FINANCING SOURCES (USES)						
Transfers in	40,073	-	-	-	-	40,073
Transfers out	-	-	(2,025)	-	(3,341)	(5,366)
Net change in fund balances	95,319	687	3,197	(8,641)	33,452	124,014
Fund balances - beginning	<u>140,576</u>	<u>59,040</u>	<u>74,432</u>	<u>24,372</u>	<u>36,463</u>	<u>334,883</u>
Fund balances - ending	<u>\$ 235,895</u>	<u>\$ 59,727</u>	<u>\$ 77,629</u>	<u>\$ 15,731</u>	<u>\$ 69,915</u>	<u>\$ 458,897</u>

(Continued)

CITY OF FRANKLIN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2004

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Total
REVENUE							
Taxes	\$ 223,000	\$ 255,000	\$ -	\$ 700,000	\$ -	\$ -	\$ 1,178,000
Intergovernmental revenue	-	-	-	79,090	-	-	79,090
Special assessments	-	-	-	-	1,051,888	2,235,630	3,287,518
Investment earnings	3,984	22,121	19,897	7,392	48,202	26,050	127,646
Miscellaneous revenue	3,579	52,076	-	-	-	-	55,655
Total Revenue	230,563	329,197	19,897	786,482	1,100,090	2,261,680	4,727,909
							6,220,142
EXPENDITURES							
Current:							
Public safety	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	13,917	13,917
Conservation and development	-	-	-	-	-	3,352	3,352
Capital outlay	454,273	284,961	778,167	386,116	-	-	1,903,517
Total Expenditures	454,273	284,961	778,167	386,116	-	17,269	1,920,786
							6,750
							63,335
							1,001,382
							3,352
							2,248,893
							3,323,712
Excess (Deficiency) of Revenue Over (Under) Expenditures	(223,710)	44,236	(758,270)	400,366	1,100,090	2,244,411	2,807,123
							2,896,430
OTHER FINANCING SOURCES (USES)							
Transfers in	-	5,366	2,234,513	-	22,026	-	2,261,905
Transfers out	-	-	(2,154,990)	(328,000)	(1,877,989)	(478,840)	(4,839,819)
							2,301,978
							(4,845,185)
Net change in fund balances	(223,710)	49,602	(678,747)	72,366	(755,873)	1,765,571	229,209
							353,223
Fund balances - beginning	321,169	1,834,549	2,184,384	217,675	1,521,678	977,495	7,056,950
							7,391,833
Fund balances - ending	\$ 97,459	\$ 1,884,151	\$ 1,505,637	\$ 290,041	\$ 765,805	\$ 2,743,066	\$ 7,286,159
							\$ 7,745,056

CITY OF FRANKLIN
General Fund

Schedule of Revenue - Budget and Actual
Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
TAXES				
General property taxes	\$ 11,340,900	\$ 11,340,900	\$ 11,335,096	\$ (5,804)
Water Utility - tax equivalent	644,000	644,000	634,462	(9,538)
Cable TV franchise fees	245,000	245,000	288,498	43,498
Mobile home assessments	52,000	52,000	38,038	(13,962)
Motel room tax	60,000	60,000	49,502	(10,498)
	<u>12,341,900</u>	<u>12,341,900</u>	<u>12,345,596</u>	<u>3,696</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	1,201,600	1,201,600	1,191,315	(10,285)
Fire insurance - dues	85,000	85,000	91,336	6,336
Local, state and federal grants and aids				
Computer Aid	48,000	48,000	42,475	(5,525)
Transportation aids	1,234,300	1,234,300	1,234,079	(221)
Recycling	80,000	80,000	77,534	(2,466)
Other	10,000	10,000	5,244	(4,756)
	<u>2,658,900</u>	<u>2,658,900</u>	<u>2,641,983</u>	<u>(16,917)</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Liquor	24,800	24,800	25,977	1,177
Bartenders	13,500	13,500	12,687	(813)
Amusement and related	8,400	8,400	8,975	575
Peddlers	45,000	45,000	35,555	(9,445)
Food and related	11,500	11,500	11,395	(105)
Electrical contractors	16,000	16,000	16,350	350
Dog and cat	7,200	7,200	4,321	(2,879)
Other	7,850	7,850	3,512	(4,338)
Permits:				
Building	535,000	535,000	770,478	235,478
Electrical	110,000	110,000	146,041	36,041
Plumbing	125,000	125,000	188,565	63,565
Fire	9,500	9,500	6,849	(2,651)
Other	29,400	29,400	27,752	(1,648)
	<u>943,150</u>	<u>943,150</u>	<u>1,258,457</u>	<u>315,307</u>
FINES, FORFEITURES AND PENALTIES	<u>450,000</u>	<u>450,000</u>	<u>397,169</u>	<u>(52,831)</u>

(Continued)

CITY OF FRANKLIN
General Fund

Schedule of Revenue - Budget and Actual
Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
PUBLIC CHARGES FOR SERVICES				
General government				
Zoning, subdivision and other filing fees	\$ 140,100	\$ 140,100	\$ 116,390	\$ (23,710)
Property reports and document fees	25,550	25,550	19,415	(6,135)
Public safety				
Police Department and related	22,000	22,000	7,953	(14,047)
Ambulance service	306,000	306,000	330,808	24,808
Fire Department and related	28,000	29,000	59,437	30,437
Public works				
Street lighting	3,000	3,000	5,164	2,164
Weed cutting	25,000	25,000	20,170	(4,830)
Quarry reimbursement	34,500	34,500	29,878	(4,622)
Engineering and DPW fees	114,500	114,500	227,431	112,931
Sanitary transfer and landfill fee	697,000	697,000	733,477	36,477
Health and human services				
Health Clinics	45,000	45,000	56,952	11,952
	<u>1,440,650</u>	<u>1,441,650</u>	<u>1,607,075</u>	<u>165,425</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	<u>623,000</u>	<u>623,000</u>	<u>575,009</u>	<u>(47,991)</u>
INVESTMENT EARNINGS	<u>342,500</u>	<u>342,500</u>	<u>177,420</u>	<u>(165,080)</u>
MISCELLANEOUS REVENUE				
Municipal property rental	40,000	40,000	47,399	7,399
Property sale	5,000	5,000	-	(5,000)
Refunds and reimbursements	44,000	44,000	29,250	(14,750)
Insurance dividend	20,000	20,000	30,225	10,225
Other revenue	25,200	25,200	29,253	4,053
	<u>134,200</u>	<u>134,200</u>	<u>136,127</u>	<u>1,927</u>
TOTAL REVENUE	<u>\$ 18,934,300</u>	<u>\$ 18,935,300</u>	<u>\$ 19,138,836</u>	<u>\$ 203,536</u>

**CITY OF FRANKLIN
General Fund**

**Schedule of Expenditures - Budget and Actual (on a budgetary basis)
Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
CURRENT				
General Government				
Mayor	\$ 23,852	\$ 23,852	\$ 23,273	\$ 579
Aldermen	60,231	60,231	58,868	1,363
Municipal court	58,994	58,994	86,630	(27,636)
City clerk	234,309	234,309	234,013	296
Elections	40,757	40,757	31,993	8,764
Information services	295,350	295,350	260,649	34,701
Administration	232,797	232,797	219,192	13,605
Human resources	129,799	129,799	139,749	(9,950)
Finance	299,301	288,779	289,277	(498)
Audit	23,000	49,000	44,538	4,462
Assessor	233,314	222,823	241,742	(18,919)
Treasury	147,905	131,427	120,071	11,356
Legal counsel	191,380	196,380	179,931	16,449
Municipal buildings	244,918	244,918	222,558	22,360
Property and liability insurance	199,350	199,350	101,645	97,705
Other	5,000	7,500	12,396	(4,896)
Contingency	525,000	501,791	-	501,791
Total General Government	<u>2,945,257</u>	<u>2,918,057</u>	<u>2,266,525</u>	<u>651,532</u>
Public Safety				
Police:				
Police	6,097,135	6,097,135	6,098,564	(1,429)
Dispatchers	800,490	800,490	728,238	72,252
Court Services	83,105	83,105	81,402	1,703
Fire	4,017,016	4,044,016	4,186,581	(142,565)
Fire protection service charge	217,900	217,900	217,856	44
Building inspection	767,028	767,028	782,916	(15,888)
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	<u>11,989,474</u>	<u>12,016,474</u>	<u>12,102,357</u>	<u>(85,883)</u>
Public Works				
Engineering	527,018	527,018	509,459	17,559
Highway	1,812,844	1,812,844	1,759,234	53,610
Refuse collection	990,649	990,649	1,076,353	(85,704)
Street lighting	224,400	224,400	213,954	10,446
Weed control	25,000	25,000	21,392	3,608
Total Public Works	<u>3,579,911</u>	<u>3,579,911</u>	<u>3,580,392</u>	<u>(481)</u>
Health and Human Services				
Public health	466,668	466,668	433,999	32,669
Animal control	32,700	32,700	34,088	(1,388)
Total Health and Human Services	<u>499,368</u>	<u>499,368</u>	<u>468,087</u>	<u>31,281</u>
Culture and Recreation				
St. Martin's fair	45,205	45,205	35,178	10,027
Civic celebrations	4,000	4,000	4,000	-
Senior travel program	6,600	6,600	3,798	2,802
Parks	87,147	88,347	91,464	(3,117)
Total Culture and Recreation	<u>142,952</u>	<u>144,152</u>	<u>134,440</u>	<u>9,712</u>
Conservation and Development				
Community development	193,379	193,379	196,094	(2,715)
Planning	303,959	303,959	277,270	26,689
Total Conservation and Development	<u>497,338</u>	<u>497,338</u>	<u>473,364</u>	<u>23,974</u>
TOTAL EXPENDITURES	<u>\$ 19,654,300</u>	<u>\$ 19,655,300</u>	<u>\$ 19,025,165</u>	<u>\$ 630,135</u>

CITY OF FRANKLIN
Debt Service Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 2,410,211	\$ 2,410,211	\$ 2,410,211	\$ -
Public charges for services - Landfill siting	424,500	424,500	456,909	32,409
Special assessments	-	-	500,409	500,409
Investment earnings	-	-	183,037	183,037
Total Revenue	<u>2,834,711</u>	<u>2,834,711</u>	<u>3,550,566</u>	<u>715,855</u>
EXPENDITURES				
Debt service				
Principal	4,000,000	4,000,000	4,000,000	-
Interest	1,348,711	1,311,211	1,311,211	-
Total Expenditures	<u>5,348,711</u>	<u>5,311,211</u>	<u>5,311,211</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(2,514,000)	(2,476,500)	(1,760,645)	715,855
OTHER FINANCING SOURCES (USES)				
Transfers in	2,305,742	2,307,808	337,199	(1,970,609)
Transfers out	<u>-</u>	<u>-</u>	<u>(22,026)</u>	<u>(22,026)</u>
Net change in fund balances	(208,258)	(168,692)	(1,445,472)	(1,276,780)
Fund balances - beginning	<u>1,572,038</u>	<u>1,572,038</u>	<u>1,572,038</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,363,780</u>	<u>\$ 1,403,346</u>	<u>\$ 126,566</u>	<u>\$ (1,276,780)</u>

CITY OF FRANKLIN
Library Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2004

	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE			
Taxes	\$ 884,500	\$ 884,500	\$ -
Investment earnings	8,000	5,272	(2,728)
Miscellaneous revenue	-	133,207	133,207
Total Revenue	892,500	1,022,979	130,479
EXPENDITURES			
Current			
Culture and recreation	867,042	854,640	12,402
Capital Outlay	95,730	113,093	(17,363)
Total Expenditures	962,772	967,733	(4,961)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(70,272)	55,246	125,518
OTHER FINANCING SOURCES (USES)			
Transfers in	60,000	40,073	(19,927)
Transfers out	-	-	-
Net change in fund balances	(10,272)	95,319	105,591
Fund balances - beginning	140,576	140,576	-
Fund balances - ending	\$ 130,304	\$ 235,895	\$ 105,591

CITY OF FRANKLIN
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (on a budgetary basis)
Year Ended December 31, 2004

	Capital Outlay Fund			Equipment Replacement Fund		
	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)	Original Budget	Final Budget	Variance with final budget - Favorable (Unfavorable)
REVENUE						
Taxes	\$ 223,000	\$ 223,000	\$ -	\$ 255,000	\$ 255,000	\$ -
Intergovernmental revenue	-	-	-	-	-	-
Investment earnings	5,000	3,984	(1,016)	50,000	22,121	(27,879)
Miscellaneous revenue	6,000	3,579	(2,421)	-	52,076	9,076
Total Revenue	<u>234,000</u>	<u>230,563</u>	<u>(3,437)</u>	<u>305,000</u>	<u>329,197</u>	<u>(18,803)</u>
EXPENDITURES						
Capital outlay	479,025	448,273	30,752	223,000	287,200	2,239
Total Expenditures	<u>479,025</u>	<u>448,273</u>	<u>30,752</u>	<u>223,000</u>	<u>287,200</u>	<u>2,239</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(245,025)	(217,710)	27,315	82,000	44,236	(16,564)
OTHER FINANCING SOURCES (USES)						
Transfers in	250,000	-	(250,000)	-	4,200	1,166
Transfers out	-	-	-	-	-	-
Net changes in fund balances	<u>\$ 4,975</u>	<u>(217,710)</u>	<u>\$ (222,685)</u>	<u>\$ 82,000</u>	<u>\$ 65,000</u>	<u>\$ (15,398)</u>
Adjustments to generally accepted accounting principles basis						
2004 encumbrances	-	(6,000)	-	-	-	-
2003 encumbrances		<u>321,169</u>			<u>1,834,549</u>	
Fund balances - beginning						
Fund balances - ending		<u>\$ 97,459</u>			<u>\$ 1,884,151</u>	

Continued

CITY OF FRANKLIN

Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (on a budgetary basis)
Year Ended December 31, 2004

	Capital Improvement Fund			Street Improvement Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE						
Taxes	\$ -	\$ -	\$ -	\$ 700,000	\$ 700,000	\$ -
Intergovernmental revenue	-	-	-	75,000	79,090	4,090
Investment earnings	25,000	25,000	19,897	10,000	7,392	(2,608)
Miscellaneous revenue	-	-	-	-	-	-
Total Revenue	<u>25,000</u>	<u>25,000</u>	<u>19,897</u>	<u>785,000</u>	<u>786,482</u>	<u>1,482</u>
EXPENDITURES						
Capital outlay	2,662,900	2,787,900	2,933,157	469,000	386,116	82,884
Total Expenditures	<u>2,662,900</u>	<u>2,787,900</u>	<u>2,933,157</u>	<u>469,000</u>	<u>386,116</u>	<u>82,884</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(2,637,900)	(2,762,900)	(2,913,260)	316,000	400,366	84,366
OTHER FINANCING SOURCES (USES)						
Transfers in	2,249,000	2,374,000	2,234,513	-	-	-
Transfers out	-	-	-	(328,000)	(328,000)	-
Net changes in fund balances	<u>\$ (388,900)</u>	<u>\$ (388,900)</u>	<u>(678,747)</u>	<u>\$ (12,000)</u>	<u>72,366</u>	<u>\$ 84,366</u>
Adjustments to generally accepted accounting principles basis						
2004 encumbrances			16,000		-	-
2003 encumbrances			(16,000)		-	-
Fund balances - beginning			<u>2,184,384</u>		<u>217,675</u>	
Fund balances - ending			<u>\$ 1,505,637</u>		<u>\$ 290,041</u>	

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2004

Governmental funds capital assets:

Land	\$ 4,777,991
Buildings and improvements	21,190,277
Machinery and equipment	11,482,674
Infrastructure improvements	<u>8,323,261</u>

Total governmental funds capital assets	<u>\$ 45,774,203</u>
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Investment in government capital assets by source:

Assets acquired prior to 1993	\$ 4,710,865
Assets acquired after 1992	
General Fund	1,830,309
Special Revenue Funds	413,162
Capital Projects Funds	29,957,381
Donations	<u>8,862,486</u>

Total governmental funds capital assets	<u>\$ 45,774,203</u>
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CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended December 31, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure Improvements</u>	<u>Total</u>
General Government:					
Mayor	\$ -	\$ -	\$ 1,123	\$ -	\$ 1,123
Aldermen	-	-	4,769	-	4,769
Municipal court	-	-	7,446	-	7,446
City clerk	-	-	4,232	-	4,232
Elections	-	-	2,500	-	2,500
Information services	-	-	301,999	-	301,999
Administration	-	-	598,218	-	598,218
Human resources	-	-	1,295	-	1,295
Finance	-	-	26,966	-	26,966
Assessor	-	-	32,587	-	32,587
Treasurer	-	-	26,104	-	26,104
Attorney	-	-	1,400	-	1,400
Municipal buildings	710,717	2,599,125	526,334	-	3,836,176
Total General Government	710,717	2,599,125	1,534,973	-	4,844,815
Public Safety:					
Police	1,201,829	8,418,912	2,406,548	-	12,027,289
Fire	25,000	2,424,996	2,633,179	-	5,083,175
Building inspection	-	-	281,390	-	281,390
Total Public Safety	1,226,829	10,843,908	5,321,117	-	17,391,854
Public Works:					
Engineering	-	-	194,159	-	194,159
Highway	84,610	2,614,351	3,513,681	-	6,212,642
Infrastructure	1,776,520	-	-	8,323,261	10,099,781
Total Public Works	1,861,130	2,614,351	3,707,840	8,323,261	16,506,582
Health & Human Services:					
Health	-	-	40,229	-	40,229
Culture and Recreation:					
Library	-	4,865,340	731,744	-	5,597,084
Parks	979,315	267,553	69,628	-	1,316,496
Total Culture and Recreation	979,315	5,132,893	801,372	-	6,913,580
Conservation and Development:					
Community development	-	-	9,145	-	9,145
Planning	-	-	67,998	-	67,998
Total Conservation and Development	-	-	77,143	-	77,143
Total governmental funds capital assets	\$ 4,777,991	\$ 21,190,277	\$ 11,482,674	\$ 8,323,261	\$ 45,774,203

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended December 31, 2004

Function and Activity	Governmental Funds Capital Assets			
	12/31/03	Additions	Deletions	12/31/04
General Government:				
Mayor	\$ 1,123	\$ -	\$ -	\$ 1,123
Aldermen	4,769	-	-	4,769
Municipal court	7,446	-	-	7,446
City clerk	4,232	-	-	4,232
Elections	2,500	-	-	2,500
Information services	281,431	20,568	-	301,999
Administration	595,043	3,175	-	598,218
Human resources	1,295	-	-	1,295
Finance	26,966	-	-	26,966
Assessor	32,587	-	-	32,587
Treasury	21,054	5,050	-	26,104
Attorney	1,400	-	-	1,400
Municipal buildings	3,557,900	278,276	-	3,836,176
Total General Government	<u>4,537,746</u>	<u>307,069</u>	<u>-</u>	<u>4,844,815</u>
Public Safety:				
Police	11,986,062	41,227	-	12,027,289
Fire	4,992,537	205,508	114,870	5,083,175
Building inspection	264,734	16,656	-	281,390
Total Public Safety	<u>17,243,333</u>	<u>263,391</u>	<u>114,870</u>	<u>17,391,854</u>
Public Works:				
Engineering	185,539	8,620	-	194,159
Highway	6,075,211	245,455	108,024	6,212,642
Infrastructure	3,077,548	7,022,233	-	10,099,781
Total Public Works	<u>9,338,298</u>	<u>7,276,308</u>	<u>108,024</u>	<u>16,506,582</u>
Health & Human Services:				
Health	<u>39,065</u>	<u>1,164</u>	<u>-</u>	<u>40,229</u>
Culture and Recreation:				
Library	5,547,226	49,858	-	5,597,084
Parks	1,165,202	151,294	-	1,316,496
Total Culture and Recreation	<u>6,712,428</u>	<u>201,152</u>	<u>-</u>	<u>6,913,580</u>
Conservation and Development:				
Community development	9,145	-	-	9,145
Planning	36,327	31,671	-	67,998
Total Conservation and Development	<u>45,472</u>	<u>31,671</u>	<u>-</u>	<u>77,143</u>
Total governmental funds capital assets	<u>\$ 37,916,342</u>	<u>\$ 8,080,755</u>	<u>\$ 222,894</u>	<u>\$ 45,774,203</u>

CITY OF FRANKLIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended December 31, 2004

PROPERTY TAX AGENCY FUND	12/31/03	Additions	Deductions	12/31/04
ASSETS				
Cash and investments	\$ 35,507,641	\$ 70,831,074	\$ 66,759,310	\$ 39,579,405
Receivables				
Taxes receivable	14,690,169	52,547,429	54,179,705	13,057,893
Accounts receivable	18,210	41,168	18,210	41,168
Due from other funds	-	-	-	-
Total assets	\$ 50,216,020	\$ 123,419,671	\$ 120,957,225	\$ 52,678,466
LIABILITIES				
Accounts payable	\$ 151,014	\$ 131,036	\$ 151,014	\$ 131,036
Due to component unit	2,729,979	2,925,386	2,729,979	2,925,386
Due to other governments	47,335,027	49,622,044	47,335,027	49,622,044
Total liabilities	\$ 50,216,020	52,678,466	50,216,020	52,678,466
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 10,992	\$ 21,636	\$ 21,678	\$ 10,950
LIABILITIES				
Accounts payable	\$ 2,799	\$ -	\$ 2,799	\$ -
Special deposits	8,193	15,592	12,835	10,950
Total liabilities	\$ 10,992	\$ 15,592	\$ 15,634	\$ 10,950
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 35,518,633	\$ 70,852,710	\$ 66,780,988	\$ 39,590,355
Receivables				
Taxes receivable	14,690,169	52,547,429	54,179,705	13,057,893
Accounts receivable	18,210	41,168	18,210	41,168
Total assets	\$ 50,227,012	\$ 123,441,307	\$ 120,978,903	\$ 52,689,416
LIABILITIES				
Accounts payable	\$ 153,813	\$ 131,036	\$ 153,813	\$ 131,036
Due to component unit	2,729,979	2,925,386	2,729,979	2,925,386
Due to other governments	47,335,027	49,622,044	47,335,027	49,622,044
Special deposits	8,193	15,592	12,835	10,950
Total liabilities	50,227,012	52,694,058	50,231,654	52,689,416
Total net assets	\$ -	\$ 70,747,249	\$ 70,747,249	\$ -

CITY OF FRANKLIN
Discretely Presented Component Unit
Community Development Authority of the City of Franklin
Combining Balance Sheet
December 31, 2004

	Tax Incremental Financing District District #2		
	Capital Projects Fund	Debt Service Fund	Total
ASSETS			
Cash, cash equivalents and investments	\$ -	\$ 370,686	\$ 370,686
Accounts Receivable	-	3,300	3,300
Due from primary government	-	2,925,386	2,925,386
Developer receivable	-	237,830	237,830
Total assets	<u>\$ -</u>	<u>\$ 3,537,202</u>	<u>\$ 3,537,202</u>
LIABILITIES			
Accounts payable	\$ -	\$ 134,139	\$ 134,139
Unearned revenue	-	3,163,216	3,163,216
Total Liabilities	<u>-</u>	<u>3,297,355</u>	<u>3,297,355</u>
NET ASSETS (LIABILITIES)			
Net Assets			
Restricted for:			
TIF #2	-	239,847	239,847
Undesignated	-	-	-
Total Net Assets (liabilities)	<u>\$ -</u>	<u>\$ 239,847</u>	<u>\$ 239,847</u>
Total fund balances of component unit			\$ 239,847
Amounts reported for component units in the statement of net assets are different because:			
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds.			(20,318,009)
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds.			237,830
Net assets of component unit			<u>\$ (19,840,332)</u>

CITY OF FRANKLIN
Discretely Presented Component Unit
Community Development Authority of the City of Franklin
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Year Ended December 31, 2004

	Tax Incremental Financing District District #2		
	Capital Projects Fund	Debt Service Fund	Total
REVENUE			
Taxes	\$ -	\$ 2,729,979	\$ 2,729,979
Intergovernmental revenue	-	102,135	102,135
Sales of interest in land	-	52,119	52,119
Investment earnings	-	20,994	20,994
Total Revenue	-	2,905,227	2,905,227
EXPENDITURES			
Current:			
Conservation and development	-	6,814	6,814
Capital outlay	83,580	-	83,580
Debt service			
Principal	-	2,240,000	2,240,000
Interest expense and fiscal charges	-	1,125,053	1,125,053
Total Expenditures	83,580	3,371,867	3,455,447
Excess (Deficiency) of Revenue Over (Under) Expenditures	(83,580)	(466,640)	(550,220)
OTHER FINANCING SOURCES (USES)			
Transfers in	83,580	-	83,580
Transfers out	-	(83,580)	(83,580)
Net change in fund balances	-	(550,220)	(550,220)
Fund balances - beginning	-	790,067	790,067
Fund Balances - ending	\$ -	\$ 239,847	\$ 239,847
Net change in fund balances of component unit			\$ (550,220)
Amounts reported for component units in the statement of net assets are different because:			
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to component units, while the repayment of the principal on long-term debt consumes current financial resources of component units. Neither transaction, however, has any effect on net assets. This amount is the net effect of those differences in the treatment of long term debt			2,240,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the component unit			9,508
Revenue in the component unit that provides current financial resources but has been previously reported as revenue in the statement of activities			(49,150)
Net change in net assets of component unit			\$ 1,650,138

STATISTICAL SECTION

CITY OF FRANKLIN
GOVERNMENT REVENUE BY SOURCE
Last Ten Years

Fiscal year	Taxes	Inter-governmental	Licenses and permits	Fines, forfeitures and penalties	Public charges for services	Inter-governmental charges	Interest and Miscellaneous	Inter-departmental charges	Total
1995	\$ 6,029,528	\$ 1,936,579	\$ 759,466	\$ 205,812	\$ 726,760	\$ 407,674	\$ 537,963	\$ 141,000	\$ 10,744,782
1996	6,688,537	1,787,903	856,606	252,001	634,264	522,222	526,585	147,000	11,415,118
1997	7,445,771	1,996,643	942,388	277,801	692,327	542,514	563,945	147,000	12,608,389
1998	7,758,815	2,184,086	1,105,878	291,751	747,015	535,871	682,350	147,000	13,452,766
1999	8,392,145	2,507,981	1,093,408	351,683	972,690	563,627	514,682	151,200	14,547,416
2000	9,675,248	2,318,230	993,387	419,194	1,594,198	574,219	931,841	230,000	16,736,317
2001	10,858,371	2,210,402	1,029,645	440,039	1,605,808	592,155	719,940	237,862	17,694,222
2002	11,109,468	2,850,615	1,254,563	414,878	1,642,046	607,395	553,323	5,094	18,437,382
2003	12,383,139	2,930,916	1,030,984	362,638	1,682,030	628,953	538,591	-	19,557,251
2004	13,230,096	2,641,983	1,258,457	397,169	1,607,075	575,009	452,026	-	20,161,815

Note: Includes General Fund and Library Fund only.

Table 2

CITY OF FRANKLIN

GOVERNMENT EXPENDITURES BY FUNCTION
Last Ten Years

Fiscal year	General Government	Public Safety	Public Works	Health and Human Services	Culture and Recreation	Conservation and Development	Capital Outlay	Total
1995	\$ 1,483,295	\$ 5,384,335	\$ 2,085,526	\$ 255,231	\$ 277,694	\$ 175,368	\$ 262,151	\$ 9,923,600
1996	1,758,716	5,720,849	2,175,711	287,276	390,860	193,202	331,710	10,858,324
1997	1,686,388	6,225,385	2,340,254	315,906	475,073	260,131	406,407	11,709,544
1998	1,848,404	7,222,322	2,299,833	344,148	512,003	263,411	354,635	12,844,756
1999	2,043,976	7,687,779	2,507,803	349,890	542,683	367,056	484,192	13,983,379
2000	2,349,147	8,521,371	2,838,108	390,791	618,123	408,818	448,016	15,574,374
2001	2,442,096	9,728,099	3,128,127	404,139	927,938	519,080	339,354	17,488,833
2002	2,069,034	10,584,319	3,134,753	446,005	1,042,602	316,592	-	17,593,305
2003	2,293,560	11,237,842	3,395,468	494,215	1,044,160	428,151	-	18,893,396
2004	2,262,025	12,102,357	3,580,392	468,087	1,102,173	374,864	-	19,889,898

Note: Includes General Fund and Library Fund only.

Table 3

CITY OF FRANKLIN
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Years

Fiscal year	Tax levy		Total collections	% of levy collected	Outstanding delinquent taxes
	Tax increment financing	Local			
1995	\$ -	\$ 6,326,855	\$ 6,350,774	100.38%	\$ 23,988
1996	126,691	7,471,969	7,594,826	99.95%	30,740
1997	159,352	9,078,570	9,238,633	100.01%	32,226
1998	799,660	9,782,325	10,577,203	99.95%	40,742
1999	1,434,790	10,369,960	11,781,618	99.80%	42,827
2000	1,886,513	11,780,580	13,668,358	100.01%	32,365
2001	2,220,643	13,487,899	15,717,957	100.06%	51,020
2002	2,686,561	14,861,543	17,483,984	99.63%	83,606
2003	2,631,082	15,606,851	18,115,165	99.33%	57,488
2004	2,729,979	15,813,611	18,537,786	99.97%	65,425

Notes: Milwaukee County annually accepts all of the City's outstanding delinquent real estate taxes. Payment for these are received by the City every August pursuant to the County's settlement procedures. Outstanding delinquent taxes represent personal property taxes retained by the City.

Total collections may be greater than or less than the total levy in any year due to changes in outstanding delinquent taxes, collection of prior year omitted taxes and Wisconsin Section 70.43 corrections.

CITY OF FRANKLIN

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

As of January 1,	Real property		Personal property		Totals		Total assessment ratio
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
1995	\$ 944,847,600	\$ 1,169,365,842	\$ 23,868,270	\$ 29,539,938	\$ 968,715,870	\$ 1,198,905,780	80.80%
1996	* 1,243,094,700	1,209,618,300	28,785,500	29,594,500	1,271,880,200	1,239,212,800	102.64%
1997	1,307,500,700	1,391,832,800	36,013,030	34,377,200	1,343,513,730	1,426,210,000	94.20%
1998	* 1,476,480,400	1,477,089,900	44,525,240	48,421,900	1,521,005,640	1,525,511,800	99.70%
1999	1,567,625,300	1,665,355,900	46,380,610	48,548,400	1,614,005,910	1,713,904,300	94.17%
2000	* 1,799,970,800	1,820,406,200	50,301,130	51,132,100	1,850,271,930	1,871,538,300	98.86%
2001	1,879,099,900	1,972,111,000	51,974,570	54,560,300	1,931,074,470	2,026,671,300	95.28%
2002	1,941,915,300	2,163,203,000	53,763,740	59,807,500	1,995,679,040	2,223,010,500	89.77%
2003	* 2,372,417,000	2,341,523,800	55,465,640	59,241,700	2,427,882,640	2,400,765,500	101.13%
2004	2,490,166,000	2,631,564,000	50,652,170	50,381,500	2,540,818,170	2,681,945,500	94.74%

* Reassessment year

ASSESSED VALUATIONS BY SCHOOL DISTRICT - 2004

	Franklin School District	Oak Creek/ Franklin School District	Whitnall School District	Total
Within sewerage district	\$ 1,856,920,830	\$ 391,895,190	\$ 183,400,060	\$ 2,432,216,080
Outside sewerage district	87,263,870	21,338,220	-	108,602,090
Total	\$ 1,944,184,700	\$ 413,233,410	\$ 183,400,060	\$ 2,540,818,170

Note: Assessed values are determined by the City and the Wisconsin Department of Revenue. Estimated actual values were obtained from the Wisconsin Department of Revenue and include Wisconsin Section 70.57 adjustments.

CITY OF FRANKLIN

PROPERTY TAX RATES PER \$1,000 OF ASSESSED VALUE -
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years

Budget year		City of Franklin	School Districts		School Credits	Milwaukee Area Technical College	Milwaukee County	Milwaukee Metropolitan Sewerage District	State	
		Franklin	Oak Creek	Whitnall						
1996		\$ 6.86	\$ 25.35	\$ 15.50	\$ 20.46	\$ (2.34)	\$ 2.34	\$ 6.19	\$ 3.51	\$ 0.23
1997	*	7.73	25.40	17.64	21.47	(2.73)	2.46	6.70	3.28	0.25
1998		7.16	17.50	9.60	13.59	(2.68)	1.94	5.50	1.65	0.19
1999	*	7.42	17.25	10.72	14.16	(2.46)	2.15	6.09	1.79	0.21
2000		7.05	16.68	9.26	13.43	(2.39)	2.00	5.68	1.70	0.20
2001	*	7.61	13.89	8.98	13.22	(2.10)	2.05	5.60	1.72	0.20
2002		8.06	14.50	9.95	12.52	(1.99)	2.13	5.65	1.78	0.21
2003		8.17	13.86	10.19	12.71	(1.92)	2.24	5.67	1.89	0.22
2004	*	6.80	12.74	8.42	10.80	(1.55)	1.95	4.72	1.57	0.20
2005		6.95	12.61	7.93	11.30	(1.50)	2.05	4.81	1.62	0.21

* Reassessment impact

Note:

Residents are assessed only the school tax rate for the District they reside in. The Sewerage District does not encompass all of the City. See Table 4 for assessed values by School District.

Table 6

CITY OF FRANKLIN
SPECIAL ASSESSMENT COLLECTIONS
 Last Ten Years

<u>Fiscal year</u>	<u>Current assessments due</u>	<u>Current assessments collected</u>	<u>Ratio of collections to amount due</u>	<u>Total outstanding assessments</u>
1995	\$ 647,371	\$ 647,371	100.00%	\$ 2,879,800
1996	599,144	599,144	100.00%	2,630,054
1997	599,524	599,524	100.00%	3,582,560
1998	525,595	525,595	100.00%	3,530,466
1999	512,208	512,208	100.00%	3,687,357
2000	553,745	553,745	100.00%	3,034,449
2001	577,888	577,888	100.00%	3,986,571
2002	657,114	657,114	100.00%	3,583,920
2003	494,080	494,080	100.00%	3,425,786
2004	565,402	565,402	100.00%	3,239,485

Note: Current assessments due represent special assessment installments placed on the City's tax roll. Payment for these assessments are due by January 31st and are received no later than August from Milwaukee County pursuant to their settlement procedures. See Table 3.

Table 7

CITY OF FRANKLIN

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Years

<u>Fiscal year</u>	<u>(1) Population</u>	<u>(2) Assessed value</u>	<u>Net bonded debt</u>	<u>Ratio of net bonded debt to assessed value</u>	<u>Net bonded debt per capita</u>
1995	25,163	\$ 968,715,870	\$ 14,055,000	1.45%	\$ 559
1996	25,726	1,271,880,200	17,505,000	1.38%	680
1997	26,591	1,343,513,730	15,830,000	1.18%	595
1998	27,186	1,521,005,640	13,805,000	0.91%	508
1999	27,780	1,614,005,910	19,605,000	1.21%	706
2000	29,494	1,850,271,930	27,350,000	1.48%	927
2001	30,199	1,931,074,470	34,500,000	1.79%	1,142
2002	30,749	1,995,679,040	32,400,000	1.62%	1,054
2003	31,467	2,427,882,640	28,800,000	1.19%	915
2004	31,804	2,540,818,170	24,800,000	0.98%	780

(1) U.S. Bureau of Census, Wisconsin Department of Administration

(2) From Table 4

Table 8

CITY OF FRANKLIN
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Years

<u>Fiscal year</u>	<u>(1) Equalized Valuation</u>	<u>5% of Equalized Value</u>	<u>Long-term debt</u>	<u>Legal Debt Margin</u>	<u>Percent Used</u>
1995	\$ 1,198,905,780	\$ 59,945,289	\$ 14,055,000	\$ 45,890,289	23.45%
1996	1,239,212,800	61,960,640	17,505,000	44,455,640	28.25%
1997	1,426,210,000	71,310,500	15,830,000	55,480,500	22.20%
1998	1,525,511,800	76,275,590	13,805,000	62,470,590	18.10%
1999	1,713,904,300	85,695,215	19,605,000	66,090,215	22.88%
2000	1,871,538,300	93,576,915	27,350,000	66,226,915	29.23%
2001	2,026,671,300	101,333,565	34,500,000	66,833,565	34.05%
2002	2,223,010,500	111,150,525	32,400,000	78,750,525	29.15%
2003	2,400,765,500	120,038,275	28,800,000	91,238,275	23.99%
2004	2,681,945,500	134,097,275	24,800,000	109,297,275	18.49%

(1) From Table 4

CITY OF FRANKLIN
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
 December 31, 2004

<u>Jurisdiction</u>	Net general obligation bonded debt outstanding		Percentage applicable to City		Amount applicable to City	
	\$				\$	
Milwaukee County	\$ 469,733,996		5.1610%		\$ 24,242,972	
Whitnall School District	6,795,000		14.4902%		984,609	
Oak Creek - Franklin School District	33,835,000		12.9955%		4,397,036	
Franklin School District	24,505,000		100.0000%		24,505,000	
Milwaukee Area Technical College	73,105,000		4.1954%		3,067,016	
Milwaukee Metropolitan Sewerage District	692,618,826		5.0403%		34,910,053	
Total Overlapping Debt	1,300,592,822				92,106,686	
City of Franklin	<u>24,800,000</u>		100.0000%		<u>24,800,000</u>	
Total	<u>\$ 1,325,392,822</u>				<u>\$ 116,906,686</u>	

<u>History</u>	Milwaukee County		School Districts		City of Franklin	
			Franklin	Whitnall	Oak Creek/Franklin	
1995	\$ 15,972,661	\$ 21,312,694	\$ 1,014,357	\$ 1,534,932	\$ 2,507,897	\$ 24,660,450
1996	18,575,213	19,873,389	873,132	1,414,899	2,331,025	23,764,865
1997	20,640,283	37,166,140	810,533	1,501,225	2,451,219	17,835,246
1998	21,385,757	36,185,689	494,994	1,425,085	2,428,633	17,867,853
1999	21,314,924	34,201,668	1,587,855	1,596,901	3,141,971	18,397,065
2000	23,732,320	32,330,000	1,538,775	1,369,729	3,118,897	19,375,672
2001	23,253,427	31,050,000	1,291,253	4,270,581	3,180,458	24,232,203
2002	24,017,363	28,970,000	1,217,714	4,182,879	3,138,871	26,420,585
2003	23,590,876	26,800,000	1,085,129	3,890,811	3,105,710	32,092,924
2004	24,242,972	24,505,000	984,609	4,397,036	3,067,016	34,910,053
						92,106,686
						24,800,000
						\$ 81,057,991
						17,505,000
						15,830,000
						13,805,000
						19,605,000
						27,350,000
						34,500,000
						87,947,412
						90,565,450
						28,800,000
						24,800,000
						116,906,686

Table 10

CITY OF FRANKLIN
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Years

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest and fiscal charge</u>	<u>Total debt service</u>	<u>(1) Total general governmental expenditures</u>	<u>Ratio of debt service to general governmental expenditures</u>
1995	\$ 2,270,000	\$ 669,393	\$ 2,939,393	\$ 9,923,600	29.62%
1996	2,175,000	650,606	2,825,606	10,858,324	26.02%
1997	1,640,000	725,474	2,365,474	11,709,544	20.20%
1998	1,980,000	675,128	2,655,128	12,844,756	20.67%
1999	2,005,000	590,783	2,595,783	13,983,379	18.56%
2000	2,210,000	977,869	3,187,869	15,574,374	20.47%
2001 (2)	2,800,000	1,468,533	4,268,533	17,488,833	24.41%
2002	2,050,000	1,519,236	3,569,236	17,593,305	20.29%
2003	2,660,000	1,423,125	4,083,125	18,893,396	21.61%
2004	4,000,000	1,311,211	5,311,211	19,889,898	26.70%

(1) Includes General Fund and Library Fund expenditures only.

(2) Excludes refunded debt repayment

CITY OF FRANKLIN
DEMOGRAPHIC STATISTICS
Last Ten Years

Fiscal year	(1) Population	(2) Per capita adjusted gross income			(3) Unemployment rates		
		City of Franklin	Milwaukee County	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin
1995	25,163	\$ 21,039	\$ 13,883	\$ 15,324	2.0%	4.0%	3.7%
1996	25,726	22,044	14,235	15,859	2.5%	4.1%	3.5%
1997	26,591	23,348	15,389	17,040	2.5%	4.3%	3.7%
1998	27,186	24,962	16,342	18,275	2.3%	4.0%	3.4%
1999	27,780	26,394	17,400	19,657	2.2%	3.8%	3.0%
2000	29,494	28,702	18,067	20,503	2.6%	4.7%	3.5%
2001	30,199	26,390	18,082	20,091	3.5%	5.6%	4.6%
2002	30,749	27,192	17,492	19,809	4.9%	6.5%	5.3%
2003	31,467	27,311	17,900	20,606	4.6%	5.9%	4.9%
2004	31,804	N/A	N/A	N/A	3.5%	5.2%	4.3%

(1) Bureau of Census, State of Wisconsin

(2) Wisconsin Department of Revenue, Division of Research and Analysis

(3) Wisconsin Department of Workforce Development

N/A Not Available

CITY OF FRANKLIN

PROPERTY VALUE AND CONSTRUCTION DATA
Last Ten Years

Fiscal year	(1) Property value				(2) Residential Construction				(2) Nonresidential Construction	
	Residential	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Residential Construction	Value	# of Permits	Value	Value
1995	\$ 955,596,782	\$ 199,267,451	\$ 14,501,609	\$ 1,169,365,842	297	\$ 32,123,413		66	\$ 21,645,098	
1996	972,705,893	221,681,233	15,231,174	1,209,618,300	449	39,641,832		69	15,330,768	
1997	1,107,506,048	266,794,565	17,532,187	1,391,832,800	362	38,315,063		55	22,284,483	
1998	1,154,902,500	299,542,300	22,645,100	1,477,089,900	353	43,582,213		68	42,380,268	
1999	1,285,963,000	355,905,700	23,487,200	1,665,355,900	455	54,801,996		82	24,059,762	
2000	1,371,755,900	428,038,100	20,612,200	1,820,406,200	391	45,645,198		67	15,310,444	
2001	1,512,872,800	436,680,100	22,558,100	1,972,111,000	362	48,697,266		49	18,557,129	
2002	1,670,088,100	468,985,700	24,129,200	2,163,203,000	333	46,788,277		41	99,018,727	
2003	1,787,275,700	530,582,600	23,665,500	2,341,523,800	349	48,274,386		16	47,915,016	
2004	2,012,614,000	594,978,200	23,971,800	2,631,564,000	503	74,586,030		55	14,352,822	

(1) Estimated actual values from the Wisconsin Department of Revenue

(2) Source: City's Building Inspection Department.

CITY OF FRANKLIN

PRINCIPAL TAXPAYERS

December 31, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Nothwestern Mutual	Insurance Services	\$ 47,326,600	1.86%
Whitnall Pointe Apartments	Apartments	20,709,900	0.82%
Manchester Oaks	Apartments	18,628,030	0.73%
Wal-Mart	Retailer	16,543,670	0.65%
Waste Management	Landfill and refuse collection	14,962,380	0.59%
Harley Davidson Motor Company	Motorcycle manufacturing	14,432,600	0.57%
TP Mission Hills Apts	Apartments	13,612,100	0.54%
All Glass Aquarium Company	Aquariums and fluorescent lights	11,721,400	0.46%
Covenant Healthcare	Medical Clinic	10,071,890	0.40%
Krones, Incorporated	High speed labeling machines and high speed filler	8,599,600	0.34%
		<u>\$ 176,608,170</u>	<u>6.95%</u>

Table 14

CITY OF FRANKLIN
MISCELLANEOUS STATISTICS
December 31, 2004

Date of incorporation	1956
Form of government	Mayor/Council
Area in square miles	34.5
Area in acres:	
Total acres	22,180
Taxable acres (approximate)	17,700
Acres developed (approximate)	6,200
Acres in park and open space	3,500
Miles of road:	
State	16.85
County	23.74
Local	159.85
Fire protection and ambulance service:	
Number of manned fire stations	3
Number of full-time firefighters	43
Police protection:	
Number of stations	1
Number of sworn officers	59
Sewer and water service:	
Miles of sanitary sewer	166
Number of Sanitary Sewerage customers	8,912
Miles of watermain	113
Number of Water Utility customers	5,574
Average daily water consumption (gallons)	1,928,852
Number of fire hydrants	1,726
Recreation and culture:	
Number of city parks	11
Number of county parks	8
Number of libraries	1
Employees:	
Full-time	195
Part-time	52